# COMMONWEALTH OF MASSACHUSETTS

## OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

## Division of Insurance

*Report on the Statutory Examination of*

# *John Hancock Life Insurance Company*

*Boston, Massachusetts*

*As of December 31, 2007*

**NAIC COMPANY CODE: 65099**

**NAIC GROUP CODE: 0904**

**Table of Contents**

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

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May 29, 2009

The Honorable Alfred W. Gross
Chair, NAIC Financial Condition (E) Committee
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Richmond, VA 23219

The Honorable James J. Donelon
Secretary, Southeastern Zone
Commissioner of Insurance
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Baton Rouge, LA 70802

The Honorable Joel Ario
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Pennsylvania Insurance Department
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The Honorable Merle Scheiber
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The Honorable Morris J. Chavez
Secretary, Western Zone
Superintendent of Insurance
New Mexico Division of Insurance
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Santa Fe, NM 87501

The Honorable Nonnie S. Burnes
Commissioner of Insurance
Massachusetts Division of Insurance
One South Station
Boston, MA 02110

Honorable Commissioners, Director, and Superintendent:

Pursuant to your instructions and the statutory requirements of the Commonwealth of Massachusetts, a statutory association examination has been made of the books, records, and financial condition of

**JOHN HANCOCK LIFE INSURANCE COMPANY**

200 Clarendon Street
Boston, Massachusetts 02117

And the report thereon is respectfully submitted.

## INTRODUCTION

John Hancock Life Insurance Company, ("JHLICO" or the "Company") was last examined as of December 31, 2002 for the period from January 1, 1998 thereto. The current examination covers the intervening period from January 1, 2003 through December 31, 2007. The current examination was conducted at the direction of and under the overall management and control of the examination staff of the Massachusetts Division of Insurance ("Division") in accordance with standards established by the Financial Condition (E) Committee of the National Association of Insurance Commissioners ("NAIC") as well as with the requirements of the *NAIC Financial Condition Examiners' Handbook*, the examination standards of the Division and with Massachusetts General Laws ("M.G.L."). Representatives of Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Tax LLP (collectively "Deloitte") assisted the Division in performing the examination procedures at the direction of and under the overall management of the Division's examination staff. This assistance included a review of accounting records, information systems, actuarially determined assets and liabilities, taxes, and investments, including derivatives. The examination was performed at the Company's home office in Boston, Massachusetts and Manulife Financial Corporation's ("Manulife Financial") home office in Toronto, Canada, and in conjunction with the statutory examination of the Company's subsidiary John Hancock Variable Life Insurance Company. The Division represented the NAIC Northeastern Zone. There was no other zone participation for this examination.

## SCOPE OF STATUTORY EXAMINATION

This examination covers the five-year period ending December 31, 2007 and any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. During the course of this examination, the operations, management and corporate policies, transactions, accounting practices and procedures, and internal controls of the Company were reviewed, analyzed, and tested to the extent deemed appropriate and necessary. General operations of the Company and its wholly owned subsidiary, John Hancock Variable Life Insurance Company ("JHVLICO"), were reviewed for compliance with applicable Massachusetts statutes. Audit procedures and supporting work papers conducted and prepared by the Company's external auditors, Ernst & Young LLP ("Ernst & Young"), for the year ended December 31, 2007 were reviewed, evaluated and relied upon where deemed appropriate. The work of the Company's internal auditors was also reviewed and relied upon to the extent deemed appropriate.

## HISTORY

### General

The Company was incorporated as a mutual life insurer under the laws of the Commonwealth of Massachusetts on April 21, 1862 and commenced business December 27, 1862. The Company is authorized to write life, annuity, and accident and health insurance.

Effective February 1, 2000, the Company converted from the John Hancock Mutual Life Insurance Company to a stock life insurance company, the John Hancock Life Insurance Company, and became a wholly-owned subsidiary of John Hancock Financial Services, Inc. ("JH Financial"), a holding company.

Effective April 28, 2004, JHLICO's and JHVLICO's then-current ultimate parent company, JH Financial, merged into Manulife Financial Corporation. Approvals for the transaction were received from United States insurance regulatory authorities in Massachusetts, Delaware and Vermont, as well as the Federal Reserve Board. It was also approved by Canada's Office of the Superintendent of Financial Institutions and the Minister of Finance.

Growth of the Company

Selected financial data depicting the growth of the Company (in millions) for the years 2003 to 2007 is shown in the following schedule:

| Year | Admitted Assets, ex. Separate Account | Separate Account Assets | Liabilities, Excluding Separate Account | Separate Account Liabilities | Common Capital Stock | Surplus Notes | Gross Paid-in and Contributed Surplus | Unassigned Surplus |
|---|---|---|---|---|---|---|---|---|
| 2007 | $58,119.5 | $11,693.1 | $53,721.8 | $11,683.3 | $330.0 | $448.1 | $1,594.9 | $2,034.6 |
| 2006 | 59,338.6 | 12,437.5 | 55,757.5 | 12,426.5 | 330.0 | 447.8 | 1,594.9 | 1,219.6 |
| 2005 | 61,229.1 | 11,204.0 | 57,271.5 | 11,195.3 | 330.0 | 447.8 | 1,594.9 | 1,593.7 |
| 2004 | 61,271.6 | 12,011.1 | 57,191.5 | 12,006.7 | 10.0 | 447.7 | 1,594.9 | 1,735.1 |
| 2003 | 61,819.3 | 12,587.1 | 58,030.7 | 12,585.8 | 10.0 | 450.0 | 1,594.9 | 1,469.2 |

Dividends to Stockholders

The Company declared and paid the following dividends to stockholders during the examination period:

| Year | Amount |
|---|---|
| 2007 | $458,600,000 |
| 2006 | 560,000,000 |
| 2005 | 690,000,000 |
| 2004 | 200,000,000 |
| 2003 | 214,500,000 |

## MANAGEMENT AND CONTROL

Board of Directors

Per the minutes of the annual meeting of the stockholder of the Company, the directors elected serving the Company at December 31, 2007, with principal occupation, were as follows:

| Director | Principal Occupation | Term Expires |
|---|---|---|
| John D. DesPrez III | Chairman, President and Chief Executive Officer, John Hancock Life Insurance Company | 2008 |
| James R. Boyle | Executive Vice President US Insurance, John Hancock Life Insurance Company | 2008 |
| Jonathan Chiel | Executive Vice President and General Counsel, John Hancock Life Insurance Company | 2008 |
| Hugh McHaffie | Executive Vice President US Wealth Management, John Hancock Life Insurance Company | 2008 |
| Warren A. Thomson | Executive Vice President - Global Investment Management, John Hancock Life Insurance Company | 2008 |

| | | |
|---|---|---|
| Scott S. Hartz | Senior Vice President and Chief Investment Officer, John Hancock Life Insurance Company | 2008 |
| Lynne Patterson | Senior Vice President and Chief Financial Officer, John Hancock Life Insurance Company | 2008 |

Senior Officers

In accordance with the minutes of the Board of Directors' meetings, senior officers serving the Company as of December 31, 2007 were as follows:

| Officer | Responsibility |
|---|---|
| John D. DesPrez III | Chairman and Chief Executive Officer |
| Robert R. Cassato | Executive Vice President - Distribution |
| Jonathan Chiel | Executive Vice President and General Counsel |
| James R. Boyle | Executive Vice President – US Insurance |
| Hugh McHaffie | Executive Vice President – US Wealth Management |
| Lynne Patterson | Senior Vice President and Chief Financial Officer |
| Scott S. Hartz | Senior Vice President and Chief Investment Officer |
| Steven Finch | Senior Vice President – Life Insurance |
| Richard Harris | Vice President and Appointed Actuary |
| Lynn L. Dyer | Vice President, Counsel and Chief Compliance Officer |
| Emanuel Alves | Vice President, Counsel and Corporate Secretary |

Committees of the Board of Directors

JHLICO's amended and restated by-laws, as adopted on July 1, 2004, provide that the Board of Directors may designate a Committee of Finance and one or more other committees, each such committee to consist of such number of directors, not less than two, as from time to time may be fixed by the Board of Directors. Thereafter, members of each such committee may be designated at the annual meeting of the Board of Directors or at any other time. Each committee shall have and may exercise such powers of the Board as shall be specified by the Board. An action by any such committee shall, for the purposes of the by-laws and otherwise be deemed the same as an action by the Board. The following committees were designated by the Company's Board as of December 31, 2007.

COMMITTEE OF FINANCE

Scott S. Hartz, Chair
Jonathan Chiel
Lynne Patterson
Warren A. Thomson

*Principal responsibilities (as set out in the Committee's Charter):*

1. Oversees and supervises the investment activities of the Company including, without limitation, the promulgation and adoption of any investment or credit policies or guidelines;
2. Authorizes the investing and loaning of the funds of the Company (except loans on its own policies) including, without limitation, the purchase and sale of debt and equity securities, mortgages and real estate (including the Company's own property), the lending of any such securities and the lease of any such real estate or property;

3. Oversees and supervises the Company's banking relationships including, without limitation, the approval of banks and banking institutions as depositories for the Company; and
4. Retains affiliates or investment advisors to manage general or separate accounts of the Company.

AUDIT COMMITTEE

Lynne Patterson, Chair
Jonathan Chiel
Scott S. Hartz
Warren A. Thomson

*Principal responsibilities (as set out in the Committee's Charter):*

1. Receives, reviews and transmits to the Board the annual reports of the independent public accountants on the financial condition and operating results of the Company, the reports of the Massachusetts Division of Insurance on its financial examinations and, to the extent it deems appropriate, any other financial, accounting or actuarial information that shall have come to its attention, accompanied in each case by such comments and recommendations as the Committee shall wish to make;
2. Reviews the Company's audited financial statements and quarterly financial statements;
3. Reviews such reports and communications from the independent auditor as are submitted to the Committee from time to time; and
4. Receives and reviews periodic reports from the internal auditor and advises the Board annually as to the adequacy of the Company's system of internal controls over financial reporting.

Corporate Records

*Articles of Incorporation and By-laws*

The Company's articles of incorporation were amended in February 2005 to reflect an increase in authorized shares. The Company's by-laws were extensively amended in July 2004. The principal changes included the following: (a) that the Company maintain a registered office in Massachusetts (vs. having its principal office in Boston); (b) that the annual meeting of the Corporation be held within six months of the fiscal year end (vs. immediately following the annual meeting of JH Financial); (c) establishing the minimum number of directors at one (vs. not less than three); (d) permitting the Board of Directors to act without a meeting (vs. the requirement that a meeting be held); (e) permitting participation by telephone (new provision – not previously permitted); (e) establishing the minimum of members of committees of the Board at two directors (vs. three); (f) redefining various officer titles / responsibilities; (g) expanding the required approvals for contracts, loans, checks and deposits to certain senior officers or their designees (formerly generally limited to the Chair and Vice-chair of the Board, committees of the Board, the CEO and the CFO); and (h) eliminating the section "Amendments; Emergency By-laws".

*Disaster Recovery and Business Continuity*

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L. c. 175 ss. 180M-180Q.

*Board of Directors Minutes*

The minutes of the Board of Directors and Committee meetings for the period under statutory examination were read and indicated that all meetings were held in accordance with the Company by-laws and the laws of the Commonwealth of Massachusetts.

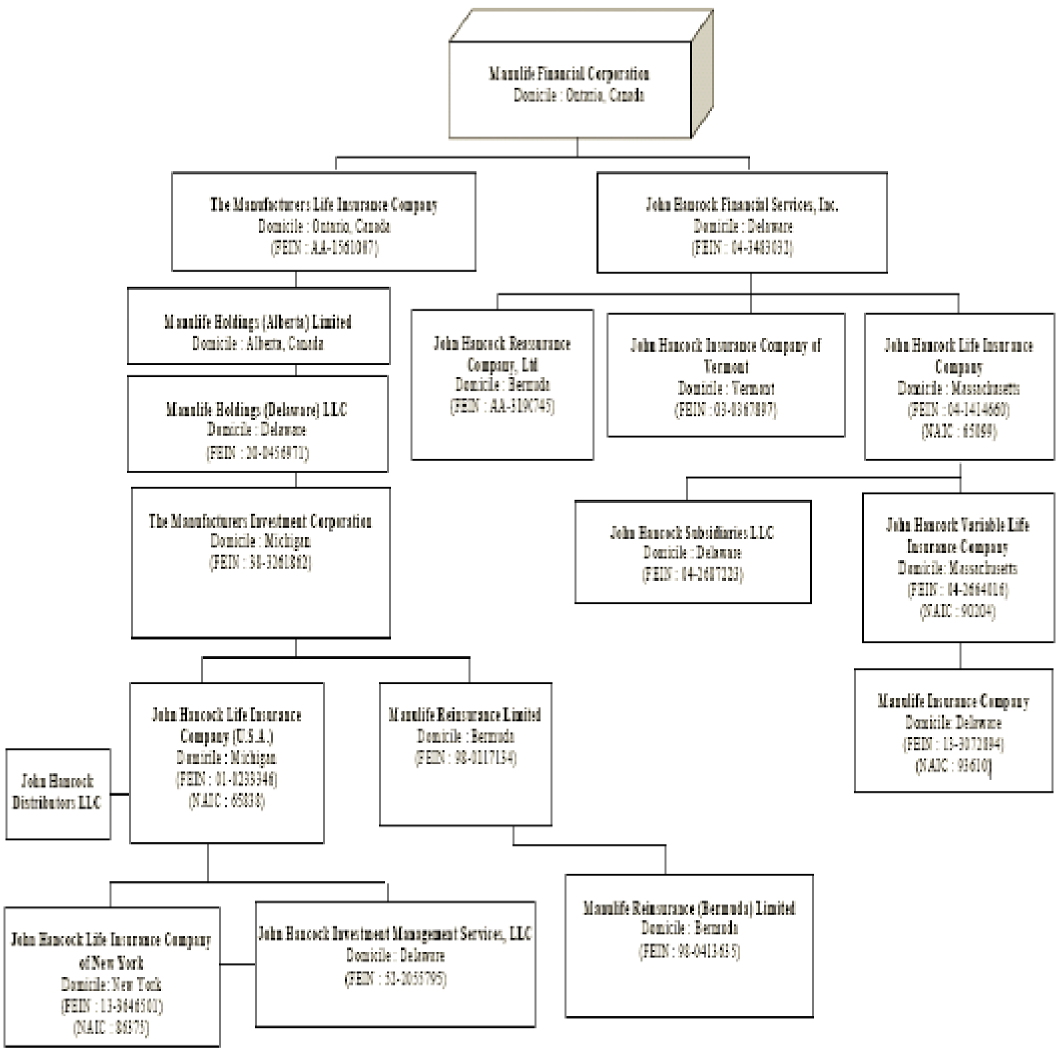
Conflict of Interest

As a subsidiary of Manulife Financial Corporation, the Company has in place a Code of Business Conduct and Ethics, which outlines standards and expectations of all employees and representatives. All employees, officers, and directors are required to sign a conflict of interest disclosure form to certify they have read, reviewed, and are in compliance with the Code. Disclosure statements of key officers and directors were reviewed and no exceptions were noted

## AFFILIATED COMPANIES

The Company is a member of a holding company system and is subject to the registration requirements of M.G.L. Chapter 175, Section 206C. Accordingly, the Company filed a completed Registration Statement Form B on behalf of itself and certain affiliates. The "ultimate controlling person" of the group is Manulife Financial Corporation, the Company's ultimate parent.





Transactions with Affiliates

The following significant transaction between the Company and its parent, subsidiaries and affiliates occurred during the period under examination:

1. On March 1, 2007, the Company paid a Senior Note issued by Manulife Holdings (Delaware) LLC ("MH DE") on December 14, 2006, in the amount of $476.6 million together with interest accrued thereon. Interest was accrued at a variable rate equal to the London Interbank Offered Rate (LIBOR) plus 0.3% per annum. Interest paid by the Company to MH DE in 2007 amounted to $5.8 million.

Agreements with Affiliates

As of December 31, 2007 the Company had the following agreements with its parent, subsidiaries and affiliates:

1. Liquidity Pool and Loan Facility Agreement. The Company has participated in a Liquidity Pool since May 2005. The Liquidity Pool is managed by John Hancock Life Insurance (USA), ("JHUSA") and permits designated affiliates to invest their excess cash. Terms of operation and participation in the Liquidity Pool were set out in two Liquidity Pool agreements effective May 28, 2004 and May 27, 2005. The two agreements have been consolidated and replaced by a Restated Liquidity Pool agreement, effective September 21, 2007, pursuant to which participating companies are permitted to invest up to an aggregate amount of $5 billion in US currency. The restated agreement also permits designated participating companies to invest up to an aggregate amount of $200 million in Canadian currency. Interest payable on US dollar deposits is reset daily to the one-month U.S. Dollar London Inter-Bank Bid Rate, while interest on Canadian dollar deposits is reset daily to the one-month Canadian Dollar Offering Rate. The Company had investments in the Liquidity Pool of $1,736.1 million, $549.8 million and $1,500.1 million as of December 31, 2007, December 31, 2006 and December 31, 2005, respectively.

2. Service Agreements – JHLICO as provider. As of December 31, 2007, the Company had individual service agreements with various affiliates to provide services including, but not limited to, administrative, information technology, investment management and support services (the "Services"). JHLICO's agreements to provide the Services included the following affiliates: John Hancock Investment Management Services (Delaware) LLIC, John Hancock Reassurance Company LTD ("JH Re"), John Hancock Insurance Company of Vermont, JHUSA, JHVLICO, The Manufacturers Life Insurance Company (Bermuda Branch), John Hancock Real Estate Finance, Inc., and Manulife Insurance Company ("MIC"). JHLICO also had a service agreement with MIC to provide MIC services including, but not limited to, economic research, development of asset allocation models and recommendations, Credit Support Annex implementation and documentation to support sales of derivatives, provide oversight to collateral review team, bond credit review, research and monitoring, derivative processing, settlements, accounting and related services, and system support. The fee for the services provided under these agreements is determined at fair market value by reference to the arm's length principle proposed by the Organization for Economic Cooperation and Development, and adopted by the Internal Revenue Service pursuant to Section 482 of the United States Internal Revenue Code.

3. Service Agreements – Affiliates as provider. As of December 31, 2007 JHLICO had service agreements with two affiliates, JHUSA and JH Financial, pursuant to which JHUSA and JH Financial provide services to JHLICO including, but not limited to, administrative, information technology, investment advisory, investment management, and support services. The fee for the services provided under these agreements is determined at fair market value by reference to the arm's length principle proposed by the Organization for Economic Cooperation and Development, and adopted by the Internal Revenue Service pursuant to Section 482 of the United States Internal Revenue Code.

4. Support Agreement dated May 22, 1991 with its subsidiary, JHVLICO, whereby the Company commits to continue directly or indirectly to own all of JHVLICO's common stock and maintain JHVLICO's net worth at not less than $1 million.

5. Support Agreement dated March 4, 1999 with its subsidiary, MIC, whereby the Company agrees to maintain a capital level such that its Risk Based Capital ratio according to the NAIC formula will be at or above 200%. In addition, the Company or one of its affiliates will cause MIC to have sufficient cash on hand for timely payment of MIC's contractual obligations.

6. Federal Income Tax Agreement. As disclosed Footnote 9 of the Company's 2007 Annual Statement, the Company's Federal Income Tax return is consolidated with the following affiliated entities: JH Financial, JHVLICO, MIC, John Hancock Reassurance Company, Ltd., John Hancock Subsidiaries LLC, John Hancock International Holdings, Inc., and John Hancock Insurance Company of Vermont. The consolidated federal income tax liability for the group is allocated to members in accordance with the Internal Revenue Code of 1986 as amended. Inter-company tax balances are settled in accordance with the payment of estimated taxes.

## FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a financial institution fidelity bond (Form 25) that covers all companies in the Manulife Financial group. The amount of coverage appears adequate based upon NAIC recommended amounts.

The Company is also a named insured on policies for all companies in the Manulife Financial group for the following coverages: all risk property, terrorism, boiler and machinery, general liability, business automobile liability, workers' compensation and employers' liability, commercial umbrella liability for excess loss, various hazards including oil and gas, professional liability, employment practices liability and Directors' and Officers' liability. All policies evidencing the above coverages were with licensed carriers and were in force at December 31, 2007.

## PENSION AND INSURANCE PLANS

The Company sponsors benefit plans complying with Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code ("IRC") covering two groups of associates: salaried employees, and owners, agents and clerical associates in the John Hancock General Agencies ("General Agencies"). Within the plans, these two groups receive benefits, the nature and level of which vary with the group to which an associate belongs.

Each group participates in a defined benefit cash balance plan. Pension benefits for both groups are provided through a group annuity contract with the Company. The Company also has non-qualified plans covering senior officers, select management and high producing agents of General Agencies as defined in Section 401(a) of the IRC. Each plan is designed to provide benefits in addition to those provided under the qualified pension plan.

There are two 401(k) savings plans; one for salaried employees and the other for associates in General Agencies. Agent eligibility is determined by the type of contract held with the Managing Partner. Managing Partners may contribute to the 401(k), but as owner-participants they are not eligible for matching contributions.

The following health and welfare benefits are available to the active groups: medical, dental, vision, employee life insurance (basic and optional), accidental death & dismemberment (basic and optional), health care flexible spending accounts, long term disability, and long term care. Additionally, salaried employees have available dependent life insurance, dependent care flexible spending accounts and short term disability. The salaried clerical employees in General Agencies have short term disability. Medical, dental, vision, health reimbursement accounts and dependent care reimbursement accounts are offered to active associates through IRC Section 125 plans. Retiree health and welfare benefits are limited to medical plans and basic life insurance. New hires or contracted agents will not have retiree group insurance.

## SPECIAL DEPOSITS

All special deposits reported by the Company are held for the benefit of all policyholders. Special deposits of the Company at December 31, 2007 were as follows:

| Jurisdiction | Securities | Book Value | Fair Value |
|---|---|---|---|
| Arkansas | U.S. Treasury Notes, 4.875% due 05/15/2009 | $ 334,097 | $ 342,903 |
| California | U.S. Treasury Notes, 4.875% due 08/15/2016 | 12,916,334 | 13,523,467 |
| Delaware | U.S. Treasury Notes, 3.500% due 11/15/2009 | 499,407 | 504,415 |
| Georgia | U.S. Treasury Bills, 3.250% due 08/15/2008 | 44,952 | 44,979 |
| Kansas | U.S. Treasury Notes, 5.125% due 05/15/2016 | 105,421 | 108,234 |
| Massachusetts | U.S. Treasury Bills, 3.250% due 08/15/2008 | 3,496,302 | 3,498,355 |
| Massachusetts | U.S. Treasury Notes, 4.875% due 05/15/2009 | 1,780,187 | 1,827,108 |
| New Mexico | U.S. Treasury Bills, 3.250% due 08/15/2008 | 149,842 | 149,930 |
| North Carolina | U.S. Treasury Bills, 3.250% due 08/15/2008 | 499,472 | 499,765 |
| South Carolina | U.S. Treasury Notes, 4.875% due 05/15/2009 | 2,642,855 | 2,712,514 |
| Puerto Rico | Puerto Rico Housing Finance Agency, 0.0% due 01/01/2014 | 664,188 | 633,498 |
| Puerto Rico | Puerto Rico Electric Power Authority, 6.125% due 07/01/2009 | 123,835 | 123,835 |
| US Virgin Islands | U.S. Treasury Notes, 4.875% due 05/15/2009 | 613,342 | 629,508 |
| Canada | Various | 13,668,896 | 13,776,800 |
| | Totals | $37,539,130 | $38,375,331 |

## INSURANCE PRODUCTS AND RELATED PRACTICES

### Territory and Plan of Operation

The Company is licensed to transact business as a life and health insurer in the Commonwealth of Massachusetts, all remaining States, the District of Columbia, American Samoa, Guam, Puerto Rico, the U.S. Virgin Islands and the Canadian Provinces of Quebec, Ontario, Manitoba, Saskatchewan, and Alberta. The Company was also authorized by the U.S. Department of Defense to sell life insurance on overseas bases under the European Atlantic and Pacific Commands of the United States Armed Forces. Certificates of Authority and/or other evidence of permission to do business in the respective states were viewed and found to be in proper order and effect.

The Company's primary businesses consist of life insurance, annuities and disability products. In addition, through its subsidiaries and affiliates, JHLICO provides a wide range of investment management and advisory services; distribution of mutual funds; real estate financing and management; and pension products and services. The Company utilizes diversified distribution channels, including independent agents, career agents, broker dealers, wholesalers, and financial institutions.

JHLICO's life insurance business includes both traditional, term and universal life. The Company's current traditional life policy offerings consist of; a standard par product with the usual dividend options; a high face amount, second-to-die product used almost entirely for estate planning; and a corporate owned life product used for supplemental executive retirement plans, deferred compensation, post-retirement medical benefits and split dollar arrangements. The term life portfolio of in force products consists of 10, 15, 20, 25 or 30-year-level premium terms, with current premiums guaranteed during the level premium period.

The Company's universal life products include both fixed and variable policies. The universal life fixed products include: single premium universal life policies; flexible premium adjustable death benefit life insurance policies; and flexible premium adjustable survivorship death benefit life insurance policies. The universal life variable products are policies where the death benefit and cash values vary according to the investment performance of separate sub-accounts chosen by the policyholder. Individual products have varying features which may include one or more of the following options: premium flexibility, death benefit increases, no lapse guarantees, guaranteed cash values, variable survivorship and company owned life insurance.

JHLICO's annuity business includes both fixed and variable contracts. The fixed products include fixed interest deferred annuities ("FIDA"); market valued deferred annuities ("MVDA") and immediate payout annuities ("IPA").

JHLICO's variable annuity block is closed to new business. All variable deferred annuities include a guaranteed minimum death benefit that can exceed the contract's account value subject to issue-age limitations.

The Company's Long Term Care ("LTC") products pay for services needed for those who cannot take care of themselves, including skilled nursing care and personal care services that may be received in a nursing home, assisted living facility, or at home. LTC coverage is guaranteed renewable and premiums are issue age rated with the expectation that premiums will be level for the lifetime of the policyholder. LTC coverage is medically underwritten and a medical history is required. Group coverage is generally sold with underwriting concessions such as simplified underwriting or guaranteed issue.

The Company's LTC business is composed of four distinct blocks: "retail" - comprised of policies sold on an individual basis, virtually all of which is written on a direct basis; "group" – comprised of policies sold through employers to their employees, all of which is written on a direct basis; "Fortis" – a closed block of business purchased in 2000 from the Fortis group of insurers, consisting of business written directly by the group and business that was assumed by the group; and the "Federal LTC program" – business sold to Federal government employees which is jointly administered by JHLICO and the Metropolitan Life Insurance Company.

Treatment of Policyholders – Market Conduct

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2007 through December 31, 2007. This market conduct examination was called pursuant to authority in M.G.L. Chapter 175, § 4. The market conduct examination is being conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Conduct Examiner's Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The basic business areas that are being reviewed under this market conduct examination are JHLICO's operations/management; complaint handling; marketing and sales; producer licensing; policyholder services; underwriting and rating; and claims, in addition to an assessment of the Company's internal control environment. Once this market conduct examination is completed, a Report on the Comprehensive Market Conduct

Examination of John Hancock Life Insurance Company for the period January 1, 2007 through December 31, 2007 will be issued and become available as a public document.

Dividends to Policyholders

The Company has issued both participating and non-participating annual and single premium policies. Annual dividends are distributed to participating policyholders using the Contribution Principles Method. These principles are applied to the underlying experience factors and policy factors associated with the particular policies involved. Participating policies issued prior to the Company's demutualization are supported by a Closed Block which is a separate portfolio of assets operated in accordance with the Plan of Reorganization. Dividend distribution to these policies is intended to exhaust the Closed Block assets over the lifetime of the remaining policies while avoiding tontine effects.

Dividends to policyholders for the period under examination were as follows:

| Year | Amount |
|---|---|
| 2007 | $128,537,515 |
| 2006 | 130,996,855 |
| 2005 | 135,085,986 |
| 2004 | 223,215,755 |
| 2003 | 253,155,381 |

## REINSURANCE

The Company participates in reinsurance in order to provide greater diversification of business, provide additional capacity for future growth, limit the maximum net loss potential arising from large risks, and generally manage certain risks associate with its products. The Company cedes both annuity and life lines of business under various reinsurance contracts, maintains facultative arrangements with a number of reinsurers, and participates in a number reinsurance pools.

The Companies reinsurance needs vary by, and are primarily administered through, each of its business units. Subject to a Company-wide reinsurance policy that emphasizes counter-party market security, the business units select the reinsurer(s) which meet their needs based upon, but not limited to, counter-party financial strength, experience, underwriting and pricing. The Company's Enterprise Risk Management ("ERM") area is responsible for approving any reinsurance transactions that do not meet the Company's minimum counter-party standards. Aggregate reinsurance exposures are discussed periodically with the ERM Committee, which is comprised of senior executives from various segments of the Company.

The Company's retention limit for single life policies is $20 million and $25 million for most survivorship business. Excess amounts are primarily reinsured on a yearly renewable term basis and based on the policy type and issue date, are reinsured at either 80% or 90% of mortality risk. Other blocks of business are ceded by way of a coinsurance funds-withheld reinsurance agreement.

For fixed annuity business, a coinsurance reinsurance agreement covering payout annuities and business in the Guarantee Benefit Separate Account block was executed between JHLICO and John Hancock Reassurance Company, Ltd. in 1999 for the purpose of providing statutory capital relief for JHLICO. In 2003 the treaty was amended and converted to a modified coinsurance type agreement.

At year end 2007, JHLICO had several reinsurance treaties in place for its long term care business. In 2001, JHLICO assumed several large blocks of in-force long term care business from several Fortis subsidiaries on a 100% coinsured basis. Subsequently 50% of this block was retroceded on a coinsurance funds withheld basis to John Hancock Reassurance Company, Ltd. In addition on this Fortis block, there are two treaties, both in run-off mode, one with Munich American Reassurance Company and the other with Swiss Re Life & Health that covers a portion of the claims incurred during the first seven policy years. In addition, JHLICO cedes 50% of its Group and Retail business written after December 31, 1996 to John Hancock Reassurance Company on a coinsurance funds withheld basis.

The Company's ceded reinsurance is primarily undertaken as indemnity reinsurance, which does not discharge the Company as the primary insurer. Ceded balances would represent a liability to the Company in the event that the reinsurers were unable to meet their obligations to the Company under terms of the reinsurance agreement. The Company periodically reviews the financial condition of its reinsurers and amounts recoverable, recording an allowance when necessary for uncollectible reinsurance.

As of December 31, 2007, the Company recorded ceded premiums in the amount of approximately $1.57 billion, $1.34 billion of which was ceded to affiliates, both authorized and unauthorized. Policy and contract liabilities corresponding to these ceded premiums amounted to approximately $5.97 billion dollars. Funds withheld from unauthorized reinsurers amounted to approximately $3.51 billion dollars.

As of December 31, 2007 the Company assumed approximately $905 million dollars of premium and assumed policy and contract liabilities of approximately $2.7 billion dollars, the majority of which was from non-affiliated insurers.

The examination team reviewed a sample of the material reinsurance agreements to determine the extent of risk transfer. The agreements reviewed appeared to adequately transfer risk.

## SUBSEQUENT EVENTS

The Boards of Directors of JHLICO and JHVLICO have authorized the companies to merge with John Hancock Life Insurance Company (U.S.A) ("JHUSA"). The merger is subject to regulatory approvals from insurance regulators in Massachusetts and Michigan and in the other jurisdictions where the companies are licensed. If approved, the merger is expected to become effective on December 31, 2009. Pursuant to the terms of the proposed merger, JHLICO and JHVLICO would cease to exist, and the companies' assets and obligations would be assumed by JHUSA.

## ACCOUNTS AND RECORDS

The internal controls structure was discussed with management through a series of questionnaires and through a review of the work performed by the Company's independent certified public accounting firm, Ernst & Young. A review and evaluation of the control environment of JHLICO's information systems was also performed. The NAIC's Information Systems Questionnaire completed by the Company was reviewed and interviews with Company management and staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network, Wide Area Network and Internet Controls. The control environment of the Company's information systems was found to have in place sufficient internal controls.

The Company's general ledger system, LAWSON maintains the Company's accounts for reporting on the following accounting bases: Generally Accepted Accounting Principles ("GAAP") in the United States, Canada and Bermuda; US Statutory Accounting Principles; Office of the Superintendent of Financial Institutions (Canada) and tax.

At entry level, the system has "reporting elements" within the general ledger accounts that are specific for GAAP or statutory accounting. The reporting elements are used to guide transaction recording to the proper entity and to assure proper GAAP or statutory recording. Within each entity, the reporting elements are broken down further into a series of reporting elements for cost allocation purposes. At this level, combined reporting elements within the general ledger accounts form cost centers for expense allocation purposes. Expenses are captured by different cost centers and then allocated to various reporting elements by ratios that are determined by product line and function. Certain trails of information were traced from support documentation through the accounting system with no material errors noted.

The books and records of the Company are subject to review by the Company's internal audit department and are audited annually by Ernst & Young, independent certified public accountants, in accordance with 211 CMR 23.

## FINANCIAL STATEMENTS

The financial statements section includes the following:

Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2007

Summary of Operations for the year ended December 31, 2007

Capital and Surplus for the year ended December 31, 2007

Reconciliation of Capital and Surplus for the Five Year Period ended December 31, 2007

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners as of December 31, 2007.

**John Hancock Life Insurance Company**
**Statement of Assets, Liabilities, Surplus and Other Funds**
**As of December 31, 2007**

| **Assets** | **As Reported by the Company** | **Examination Changes** | **Per Statutory Examination** |
|---|---|---|---|
| Bonds | $ 37,605,130,759 | $ 0 | $ 37,605,130,759 |
| Stocks: | | | |
| Preferred stocks | 623,894,347 | | 623,894,347 |
| Common stocks | 1,586,420,846 | | 1,586,420,846 |
| Mortgage loans on real estate: | | | |
| First liens | 8,248,740,336 | | 8,248,740,336 |
| Real estate: | | | |
| Properties occupied by the company | 351,085,308 | | 351,085,308 |
| Properties held for production of income | 754,891,443 | | 754,891,443 |
| Properties held for sale | 911,512 | | 911,512 |
| Cash, cash equivalents and short-term investments | 1,133,356,459 | (362,000,000) | 771,356,459 |
| Contract loans | 1,631,809,169 | | 1,631,809,169 |
| Other invested assets | 2,450,597,296 | | 2,450,597,296 |
| Receivable for securities | 20,677,155 | | 20,677,155 |
| Aggregate write-ins for invested assets | (240,907,530) | | (240,907,530) |
| Subtotals, cash and invested assets | 54,166,607,100 | (362,000,000) | 53,804,607,100 |
| Investment income due and accrued | 575,185,304 | | 575,185,304 |
| Premiums and considerations: | | | |
| Uncollected premiums and agents' balances | 69,113,899 | | 69,113,899 |
| Deferred premiums booked but not yet due | 140,979,933 | | 140,979,933 |
| Reinsurance ceded: | | | |
| Amounts recoverable from reinsurers | 183,083,822 | | 183,083,822 |
| Other amounts receivable under reinsurance contracts | 92,183,002 | | 92,183,002 |
| Guaranty funds receivable or on deposit | 1,628,975 | | 1,628,975 |
| Electronic data processing equipment | 17,101,205 | | 17,101,205 |
| Receivable from parent, subsidiaries and affiliates | 1,952,801,526 | | 1,952,801,526 |
| Aggregate write-ins for other than invested assets | 920,784,025 | | 920,784,025 |
| Total assets excluding Separate Accounts business | 58,119,468,791 | (362,000,000) | 57,757,468,791 |
| From Separate Accounts statement | 11,693,055,353 | | 11,693,055,353 |
| Total Assets | $ 69,812,524,144 | $ (362,000,000) | $ 69,450,524,144 |

**John Hancock Life Insurance Company**

**Statement of Assets, Liabilities, Surplus and Other Funds (Continued)**

**As of December 31, 2007**

| **Liabilities** | **As Reported by the Company** | **Examination Changes** | **Per Statutory Examination** |
|---|---|---|---|
| Aggregate reserve for life contracts | $ 31,071,539,070 | $ 0 | $ 31,071,539,070 |
| Aggregate reserve for accident and health contracts | 4,816,350,954 | | 4,816,350,954 |
| Liability for deposit-type contracts | 7,603,985,773 | | 7,603,985,773 |
| Contract claims: | | | |
| Life | 134,307,600 | | 134,307,600 |
| Accident and health | 55,965,320 | | 55,965,320 |
| Policyholders' dividends due and unpaid | 25,384,152 | | 25,384,152 |
| Provision for policyholders' dividends and coupons | | | |
| Dividends apportioned for payment | 413,321,634 | | 413,321,634 |
| Dividends not yet apportioned | 2,284,840 | | 2,284,840 |
| Premiums and annuity considerations received in advance | 46,741,174 | | 46,741,174 |
| Contract liabilities not included elsewhere: | | | |
| Provision for experience rating refunds | 35,708,021 | | 35,708,021 |
| Other amounts payable on reinsurance | 146,967,991 | | 146,967,991 |
| Interest Maintenance Reserve | 493,906,741 | | 493,906,741 |
| Commissions to agents due or accrued | 881,533 | | 881,533 |
| Commissions and expense allowances payable on reinsurance assumed | 2,720,557 | | 2,720,557 |
| General expenses due or accrued | 294,112,885 | | 294,112,885 |
| Transfers to Separate Accounts due or accrued | (12,130,434) | | (12,130,434) |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | (8,171,386) | | (8,171,386) |
| Current federal and foreign income taxes due | 277,115,546 | | 277,115,546 |
| Net deferred tax liability | 404,419,671 | | 404,419,671 |
| Amounts withheld or retained by company as agent or trustee | 27,288,253 | | 27,288,253 |
| Remittances and items not allocated | 403,887,542 | (362,000,000) | 41,887,542 |
| Liability for benefits for employees and agents | 23,844,440 | | 23,844,440 |
| Borrowed money and interest thereon | 2,138,049,078 | | 2,138,049,078 |
| Asset valuation reserve | 1,027,777,634 | | 1,027,777,634 |
| Reinsurance in unauthorized companies | 13,009,950 | | 13,009,950 |
| Funds held under reinsurance treaties with unauthorized reinsurers | 3,506,924,603 | | 3,506,924,603 |
| Payable to parent, subsidiaries and affiliates | 167,406,706 | | 167,406,706 |
| Payable for securities | 1,193,963 | | 1,193,963 |
| Aggregate write-ins for liabilities | 606,975,938 | | 606,975,938 |
| Total liabilities excluding Separate Accounts | 53,721,769,749 | (362,000,000) | 53,359,769,749 |
| From Separate Accounts statement | 11,683,269,214 | | 11,683,269,214 |
| Total Liabilities | 65,405,038,963 | (362,000,000) | 65,043,038,963 |
| | | | |
| Common capital stock | 330,000,000 | | 330,000,000 |
| Surplus notes | 448,050,300 | | 448,050,300 |
| Gross paid-in and contribuited surplus | 1,594,851,290 | | 1,594,851,290 |
| Unassigned funds (surplus) | 2,034,583,591 | | 2,034,583,591 |
| Total capital and Surplus | 4,407,485,181 | | 4,407,485,181 |
| | | | |
| Total Liabilities, Capital and Surplus | $ 69,812,524,144 | $ (362,000,000) | $ 69,450,524,144 |

**John Hancock Life Insurance Company**
**Summary of Operations**
**For the Year Ended December 31, 2007**

| | As Reported by the Company | Examination Changes | Per Statutory Examination |
|---|---|---|---|
| Premium and annuity considerations | $ 4,426,085,339 | $ 0 | $ 4,426,085,339 |
| Considerations for supplementary contracts with life contingencies | 8,496,837 | | 8,496,837 |
| Net investment income | 3,568,806,836 | | 3,568,806,836 |
| Amortization of interest maintenance reserve | 56,627,835 | | 56,627,835 |
| Separate Accounts net gain from operations | (1,304,769) | | (1,304,769) |
| Commissions and expense allowances on reinsurance ceded | 353,039,255 | | 353,039,255 |
| Reserve adjustments on reinsurance ceded | (577,425,019) | | (577,425,019) |
| Income from fees associated with investment management, administration and contract guarantees from Sep. Accounts | 87,260,030 | | 87,260,030 |
| Aggregate write-ins for miscellaneous income | 279,998,080 | | 279,998,080 |
| Totals | 8,201,584,424 | | 8,201,584,424 |
| Death benefits | 219,721,518 | | 219,721,518 |
| Matured endowments | 21,551,636 | | 21,551,636 |
| Annuity benefits | 1,822,518,372 | | 1,822,518,372 |
| Disability benefits and benefits under A&H policies | 279,865,125 | | 279,865,125 |
| Surrender benefits and other fund withdrawals | 4,620,709,547 | | 4,620,709,547 |
| Interest and adjustments on contract or deposit-type contract funds | 422,596,029 | | 422,596,029 |
| Payments on supplementary contracts with life contingencies | 13,426,142 | | 13,426,142 |
| Increase in aggregate reserves for life and accident and health policies and contracts | (343,952,434) | | - (343,952,434) |
| Totals | 7,056,435,935 | | 7,056,435,935 |
| Commissions on premiums, annuity considerations and deposit-type funds | 288,080,896 | | 288,080,896 |
| Commissions and expense allowances on reinsurance assumed | 71,878,495 | | 71,878,495 |
| General insurance expenses | 455,730,652 | | 455,730,652 |
| Insurance taxes, licenses and fees, excl. federal income taxes | 54,774,577 | | 54,774,577 |
| Increase in loading on deferred and uncollected premiums | (1,118,725) | | (1,118,725) |
| Net transfers to or (from) Separate Accounts | (1,045,286,848) | | (1,045,286,848) |
| Aggregate write-ins for deductions | 315,519,365 | | 315,519,365 |
| Totals | 7,196,014,347 | | 7,196,014,347 |
| Net gain from operations before dividends to policyholders and federal income taxes | 1,005,570,077 | | 1,005,570,077 |
| Dividends to policyholders | 128,537,515 | | 128,537,515 |
| Net gain from operations after dividends to policyholders and before federal income taxes | 877,032,562 | | 877,032,562 |
| Federal income taxes incurred (excluding tax on capital gains) | (118,894,258) | | (118,894,258) |
| Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) | 995,926,820 | | 995,926,820 |
| Net realized capital gains or (losses) | 127,564,292 | | 127,564,292 |
| Net Income | $ 1,123,491,112 | $ 0 | $ 1,123,491,112 |

**John Hancock Life Insurance Company**
**Capital and Surplus**
**For the Year Ended December 31, 2007**

| | As Reported by the Company | Examination Changes | Per Statutory Examination |
|---|---|---|---|
| Capital and surplus, December 31, 2006 | $ 3,592,272,351 | $ 0 | $ 3,592,272,351 |
| Net income | 1,123,491,112 | | 1,123,491,112 |
| Change in net unrealized capital gains less capital gains tax | 159,183,077 | | 159,183,077 |
| Change in net unrealized foreign exchange capital gains and (loss) | (1,021,138) | | (1,021,138) |
| Change in net deferred income tax | (478,073,463) | | (478,073,463) |
| Change in nonadmitted assets and related items | (79,459,720) | | (79,459,720) |
| Change in liability for reinsurance in unauthorized companies | 183,596,757 | | 183,596,757 |
| Change in asset valuation reserve | 219,075,083 | | 219,075,083 |
| Surplus (contributed to) withdrawn from Separate Accounts during period | 815,514 | | 815,514 |
| Dividends to stockholders | (458,600,000) | | (458,600,000) |
| Aggregate write-ins for gains and losses in surplus | 146,205,608 | | 146,205,608 |
| Net change in capital and surplus for the year | 815,212,830 | | 815,212,830 |
| Capital and surplus, December 31, 2007 | $ 4,407,485,181 | $ 0 | $ 4,407,485,181 |

[redacted]

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1- Cash

The Company reported total cash of $322,429,979 on Schedule E, Part 1. The Company's cash reconciliation procedures at December 31, 2007 failed to detect incorrect entries for cash receipts receive at year end 2007 for private placement security transactions and held in a suspense account until the cash can be properly allocated. Entries were incorrectly recorded to the asset account Cash and the liability account Remittances and Items not Allocated totaling $362 million. In this Examination Report an adjustment is made decreasing cash in the amount $362 million and also decreasing remittances and items not allocated in the amount of $362 million. There is no effect on the Company's surplus at December 31, 2007 as a result of this error. In 2008 the Company corrected the procedures for the processing of cash received for private placement security transactions.

### Note 2- Deferred Premiums

When calculating its Deferred Premium Asset ("DPA"), the Company, under guidance contained in SSAP No 51, makes an adjustment to the admitted DPA by reducing an amount for "loading". For certain blocks of business, primarily level term life, where the gross premium is less than the statutory net premium, and where a premium deficiency reserve is required and established, the corresponding loading is a negative amount. Following the same guidance used to calculate the DPA for policies with positive loading, the reduction of negative loading results in an adjustment that increases the admitted DPA.

The Company believes the guidance in SSAP No 51 is unclear and subject to interpretation and continues to generate non-uniform interpretation throughout the industry. This is evident by the existence of other insurers in the industry that believe the intent of SSAP No 51 is to "floor" the loading at zero, and that reducing the DPA for loading, if any, should only apply to loading amounts greater than zero.

The Company has indicated that the existing premium deficiency reserves, net of the negative loading included in the DPA, are redundant. The Company has provided supplemental reserve analysis specific to the products requiring premium deficiency reserves, including the level term life block noted above. A review of this reserve analysis indicated that those policies requiring a premium deficiency reserve are sufficiently reserved to provide for future obligations and the entire deficiency reserve is redundant. Therefore, the Company's calculation of its DPA will remain undisputed pending clarification from the NAIC

### Note 3 – Aggregate Reserves for Life and Accident and Health Contracts

Deloitte Consulting LLP was retained by the Massachusetts Division of Insurance to complete a detailed review of the statutory reserves and related actuarial items held by the Company as of December 31, 2007. This included a review of reserving methodologies, assumptions, reserve calculations, and compliance with Massachusetts insurance laws and regulations. Deloitte Consulting relied upon the accuracy and completeness of the data underlying the reserve calculations in its work; however, the accuracy and completeness of the underlying data was tested by the financial examination team and found to be reliable.

Testing procedures were performed, and based on those procedures it was determined that the aggregate statutory reserves and related actuarial items:

- Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles;

- Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;
- Meet the requirements of the insurance laws and regulations of the Commonwealth of Massachusetts and meet the requirements of the NAIC Accounting Practices and Procedures Manual;
- Include provision for all actuarial reserves and related statement items that ought to be established.

The Company is a leading provider of Life, Annuity, and Long-Term Care insurance products. Our review encompassed the established actuarial balances related to those products and other accident and health products. In addition, we reviewed the Company's reinsurance arrangements, Risk Based Capital calculations, and asset adequacy testing results.

In accordance with applicable Division and NAIC insurance guidance, the Company records as liabilities in its financial statements actuarially determined interest-discounted reserves that are calculated to meet future contractual obligations under outstanding policies and claims. The reserves are based on statutorily recognized methods, generally using prescribed morbidity and mortality tables and interest rates. These reserves include provisions for unearned premiums; future claims in excess of future premium (i.e. additional contract reserves); and future payment on claims that have been incurred, whether reported or not reported as of the valuation date (i.e. claim reserves including disabled life reserves and incurred-but-not-reported reserves). In addition, there is a reserve for claim settlement expenses on such future claim payments for incurred claims.

Per the Standard Valuation Law (SVL) and Massachusetts Insurance Law Chapter 175, Section 9, the minimum statutory reserve valuation method for individual life policies is the Commissioners' Reserve Valuation Method (CRVM). Per Exhibit 8(A) of the Company's 2007 statutory Annual Statement, CRVM is the valuation method for most individual life policies. For certain traditional life polices the valuation method used is the Net Level Premium Method (NLP) which are usually greater than CRVM reserves. Certain of the term policies are subject to Regulation XXX, resulting in additional deficiency reserves. For Universal Life policies, a CRVM reserve is calculated in accordance with the Universal Life Insurance Model Regulation. Where applicable, a reserve for secondary guarantees is calculated in accordance with the Valuation of Life Insurance Policies Model Regulation (XXX) and Actuarial Guideline 38 (AG 38), as appropriate to the issue date, and the higher of these two reserves is held. "X" factors have been used in the determination of minimum reserves under Regulation XXX and AG 38. The procedures performed on the life insurance reserves included a review of methodologies and assumptions, an analysis of reserve trends over the examination period of 2003-2007, and an independent recalculation of statutory reserves for a sample of life insurance policies. Overall, life insurance reserves were found to meet or exceed minimum statutory standards. In addition to following statutorily prescribed assumptions and methods, there were no unexplainable unusual patterns in reserves over the examination period of 2003-2007.

Per the SVL and Chapter 175 Sec 9, the minimum statutory reserve valuation method for deferred annuity policies is the Commissioners' Annuity Reserve Valuation Method (CARVM). Reserves for deferred annuities are calculated according to the CARVM methodology using the issue year basis. The calculation is an integrated reserve calculation complying with Actuarial Guideline 33 (AG 33) and Actuarial Guideline 34 (AG 34). The reserve is equal to the maximum for all future durations of the present values of all benefit streams terminating at those durations with either surrender or annuitization, but not less than the larger of cash surrender value on the valuation date and 93% of account value on the valuation date. The procedures performed on the deferred annuity reserves included a review of methodologies and assumptions, an analysis of reserve trends over the examination period of 2003-2007, and an independent recalculation of statutory reserves for a sample of life insurance policies. Overall, annuity reserves were found to meet or exceed minimum statutory standards. In addition to following statutorily prescribed assumptions and methods, there were no unexplainable unusual patterns in reserves over the examination period of 2003-2007.

The additional contract reserves for the LTC product line were found to meet minimum statutory standards. We noted a $23.4 million understatement in the LTC disabled life reserves on a net of reinsurance basis, which we considered immaterial, but otherwise, found that those reserves and other LTC claims reserves meet minimum statutory standards. The procedures performed on the LTC reserves included a review of methodologies and assumptions, an analysis of reserve trends over the examination period of 2003-2007, and an independent recalculation of the additional contract reserves and disabled life reserves for a sample of active lives and open claims.

In addition to LTC, the Company established actuarial balances for certain other accident and health products. The Exhibit 6 and 8 established balances for these products were insignificant as of December 31, 2007, on a net of reinsurance basis and our review of those balances was limited to a high-level review of required reserves and reserve trends. In addition to the Exhibit 6 and 8 balances, the Company established a litigation reserve related to reinsurance pools involving workers compensation and personal accident insurance coverages. We reviewed the development of the litigation reserve and found the reserve to be reasonable.

We reviewed key reinsurance contracts and found that the reinsurance arrangements satisfy Massachusetts risk transfer requirements. We noted that the Company develops its reinsurance programs for the purpose of risk and capital management, consistent with other programs used in the industry.

We reviewed the Company's development of RBC amounts for C3 Phase I and C3 Phase II and found that the amounts were developed reasonably.

The Company performs asset adequacy analysis testing to determine whether the assets supporting the statutory reserves are sufficient to meet the Company's obligations to its policyholders. The Company used a cash flow testing methodology to perform asset adequacy testing and demonstrated asset adequacy on a line of business basis. Supporting documentation for the Company's asset adequacy analysis was reviewed and found to be sound and reasonable. We observed some minor deficiencies regarding content of the Actuarial Memorandum, and with one of the sensitivity tests performed, however, these observations do not change our overall conclusion that based on the Company's asset adequacy analysis as documented in the Actuarial Memorandum, the Company's assets reasonably support the Company's statutory reserves.

Based on the actuarial review, it was concluded that reserves are adequate and in aggregate meet or exceed minimum statutory standards.

## SEPARATE ACCOUNTS

### History

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

### Separate Account Business

Separate Account investment strategies at the Company encompass a number of different asset classes, depending on investor preference and tolerance for risk. Most Separate Accounts are open-ended (they continue to accept new deposits) and many are pooled funds; that is, they accept contributions from more than one investor. There are also closed-end Separate Accounts with limited deposit or subscription periods and non-pooled Separate Accounts for larger policyholders who require customized investment funds.

Separate Accounts are utilized by the Company for annuity contracts and variable life insurance policies for which the policyholder, and not the Company, bears the investment risk. In addition, Separate Accounts are used for Market Value Adjusted Annuities (MVAs). MVA accounts are adjusted by formula which reflects the relationship between current interest rates and the interest rate guaranteed in the contract. The policyholder, rather than the Company, bears the investment risk on MVA accounts.

Separate Account products are also available to both institutional policyholders and individual policyholders through the Wealth Management Fixed Products ("WMFP") sector of the Company. Institutional Separate Accounts are marketed principally to sponsors of retirement and savings plans covering employees of private sector companies and plans covering public employees and collective bargaining unions and nonprofit organizations. Products are marketed and sold through a combination of WMFP field employee representatives, as well as marketing personnel and investment professionals employed by the Company. Generally, the policyholder, rather than the Company, bears the investment risk. However, certain Separate Account group annuity and group health (and funding agreement) products provide various contractual investment and benefit guarantees.

All Separate Account assets and liabilities are segregated from the general assets of the Company and are administered by the Company for the benefit of the policyholders. Investment management for the Separate Accounts is principally provided by the Company or its subsidiaries and affiliates. Subsidiaries and affiliates providing investment management include: Declaration Management & Research LLC, Hancock Capital Investment Management LLC, Hancock Natural Resource Group, Inc. and John Hancock Advisers, LLC.

Investment management for the Separate Accounts may also be provided by investment management firms not related to the Company or its subsidiaries or affiliates. In addition to complying with all rules or regulations pertaining to investment management of Separate Accounts, any sub-advisor hired to manage Separate Account assets is also subject to the Company's due diligence and oversight. Portfolio transactions on behalf of the Separate Accounts are carried out in accordance with stated investment policy objectives and guidelines. The Company receives administrative and policy fees from the Separate Accounts. Each Separate Account policyholder receives a statement on his or her participation in the Separate Account at least annually, although quarterly statements are typical.

## SEPARATE ACCOUNTS FINANCIAL STATEMENTS

The financial statements section includes the following:

Statement of Assets, Liabilities and Surplus as of December 31, 2007

Summary of Operations and Surplus Account for the year ended December 31, 2007

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners as of December 31, 2007.

**John Hancock Life Insurance Company**
**Separate Account Business**
**Statement of Assets, Liabilities, and Surplus**
**As of December 31, 2007**

| **Assets** | **As Reported by the Company** | **Examination Changes** | **Per Statutory Examination** |
|---|---|---|---|
| Bonds | $ 177,739,450 | $ 0 | $ 177,739,450 |
| Preferred stocks | 2,051,885 | | 2,051,885 |
| Common stocks | 8,976,620,234 | | 8,976,620,234 |
| Mortgage loans on real estate | 6,544,575 | | 6,544,575 |
| Real estate | 1,324,173,572 | | 1,324,173,572 |
| Contract loans | 64,668,989 | | 64,668,989 |
| Cash and cash equivalents | (39,560,701) | | (39,560,701) |
| Other invested assets | 1,019,866,273 | | 1,019,866,273 |
| Aggregate write-ins for invested assets | 34,505,929 | | 34,505,929 |
| Investment income due and accrued | 38,824,388 | | 38,824,388 |
| Aggregate write-ins for other than invested assets | 87,620,670 | | 87,620,670 |
| Total Assets | $ 11,693,055,264 | $ 0 | $ 11,693,055,264 |
| **Liabilities and Surplus** | | | |
| Aggregate reserve for life, annuity and accident and health policies and contracts | $ 8,496,038,382 | $ 0 | $ 8,496,038,382 |
| Liability for deposit-type contracts | 2,266,077,752 | | 2,266,077,752 |
| Other transfers to general account due or accrued | 38,135,005 | | 38,135,005 |
| Remittances and items not allocated | 4,700,000 | | 4,700,000 |
| Payable for securities | 887,263,646 | | 887,263,646 |
| Aggregate write-ins for liabilities | (8,945,546) | | (8,945,546) |
| Total Liabilities | 11,683,269,239 | | 11,683,269,238 |
| Unassigned funds | 9,786,115 | | 9,786,115 |
| Total Surplus | 9,786,115 | | 9,786,115 |
| Total Liabilities and Surplus | $ 11,693,055,354 | $ 0 | $ 11,693,055,353 |

**John Hancock Life Insurance Company**
**Separate Account Business**
**Summary of Operations**
**For the Year Ended December 31, 2007**

| | As Reported by the Company | Examination Changes | Per Statutory Examination |
|---|---|---|---|
| Transfers to separate accounts: | | | |
| Net premiums and annuity considerations | $ 586,231,202 | $ 0 | $ 586,231,202 |
| Aggregate write-ins for other transfers to Separate Accounts | 17,465,874 | | 17,465,874 |
| Transfers on account of deposit-type contracts | 90,557,721 | | 90,557,721 |
| Net investment income and capital gains and losses | 816,189,732 | | 816,189,732 |
| Aggregate write-ins for other income | 3,550,175 | | 3,550,175 |
| Totals | 1,513,994,704 | | 1,513,994,704 |
| DEDUCT: | | | |
| Transfers from the separate accounts on account of contract benefits: | | | |
| Death benefits | 10,875,570 | | 10,875,570 |
| Annuity benefits | 80,973,111 | | 80,973,111 |
| Surrender benefits and withdrawals for life contracts | 1,579,784,828 | | 1,579,784,828 |
| Transfers on account of policy loans | 6,466,896 | | 6,466,896 |
| Net transfer of reserves from or (to) Separate Accounts | (22,051) | | (22,051) |
| Other transfers from the separate accounts: | | | |
| Federal and foreign income taxes incurred | 283,061 | | 283,061 |
| Change in expense allowances recognized in reserves | (875,499) | | (875,499) |
| Aggregate write-ins for other transfers from Separate Accounts | 20,607,777 | | 20,607,777 |
| Fees associated with changes for investment management administration and contract guarantees | 84,421,506 | | 84,421,506 |
| Increase in aggregate reserve for life and accident and health poicies and contracts | (486,310,728) | | (486,310,728) |
| Increase in liability for deposit-type contracts | 219,905,432 | | 219,905,432 |
| Aggregate write-ins for reserves and funds | (810,146) | | (810,146) |
| Totals | 1,515,299,757 | | 1,515,299,756 |
| Net gain from operations | $ (1,305,053) | $ 0 | $ (1,305,052) |

SURPLUS ACCOUNT

| | As Reported by the Company | Examination Changes | Per Statutory Examination |
|---|---|---|---|
| Surplus, December 31, previous year | $ 11,075,394 | $ 0 | $ 11,075,394 |
| Net gain from operations | (1,305,053) | | (1,305,053) |
| Surplus contributed or (withdrawn) during year | 15,774 | | 15,774 |
| Surplus, December 31, current year | $ 9,786,115 | $ 0 | $ 9,786,115 |

## ACKNOWLEDGEMENT

Report of Certified Financial Examiner

This is to certify that the undersigned is a duly qualified Certified Financial Examiner ("CFE"). Representatives of Deloitte assisted the Division in performing the examination procedures at the direction of and under the overall management of the Division's examination staff. This assistance included a review of accounting records, information systems, actuarially determined assets and liabilities, taxes, and investments, including derivatives.

The undersigned's participation in this Association Financial Examination as the Examiner-In-Charge encompassed responsibility for the coordination and direction of the statutory examination performed which was in accordance with, and substantially complied with, the standards established by the Financial Condition (E) Committee of the NAIC and the *NAIC Financial Examiners' Handbook*. This participation consisted of involvement in the planning and administration of the examination, review of work papers prepared as documentary evidence of examination procedures performed, and preparation of the statutory examination report.

The cooperation and assistance of the officers and employees of John Hancock Life Insurance Company extended to all examiners during the course of the examination is hereby acknowledged.

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