

OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

Manufacturers Life Insurance Company (U.S.A.)

NAIC #65838

As Of

December 31, 2004





Ted Strickland, Governor

Mary Jo Hudson, Director

2100 Stella Court, Columbus, OH 43215-1067

(614) 644-2658

www.ohioinsurance.gov

Honorable Mary Jo Hudson
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a Market Regulation desk examination was conducted on the Ohio business of:

Manufacturers Life Insurance Company (U.S.A.)

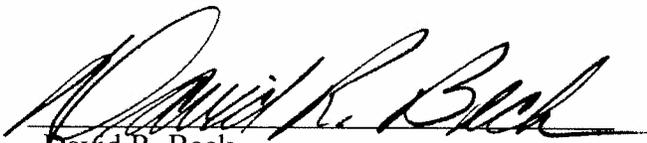
NAIC Company Code 65838.

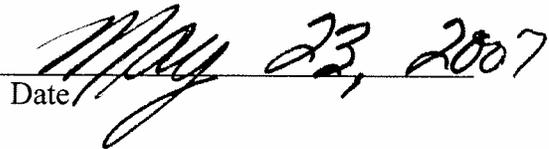
The examination was conducted at the Ohio Department of Insurance office located at:

2100 Stella Court
Columbus OH 43215.

A report of the examination is enclosed.

Respectfully submitted,


David R. Beck
Chief, Market Regulation Division


Date



Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIIP Hotline: 1-800-686-1578

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FOREWORD

This examination was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

SCOPE OF EXAMINATION

On September 26, 2005, the Market Conduct Division, Ohio Department of Insurance (“the Department”), opened a desk audit of Manufacturers Life Insurance Company (U.S.A.) (now known as John Hancock (U.S.A.)), (“Company”), by sending a call letter and initial request for information.

The desk audit was restricted to Company replacement activities for individual life insurance from the period of January 1, 2003 through December 31, 2004. This examination report is a report by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the State of Ohio’s applicable statutes and rules.

Accordingly, the examination included the following areas of the Company’s operations:

- A. Company History
- B. Company Operations
- C. Certificate of Authority
- D. External Replacement Policies
- E. Internal Replacement Policies
- F. Complaint Handling

METHODOLOGY

As part of the examination, the Department’s examiners reviewed the Company’s individual ordinary life insurance policy files and the Company’s corresponding procedures. This information was supplemented, as necessary, with written inquiries to the Company requesting clarification and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s applicable statutes and rules. These tests are described and the results are noted in this report.

The Examiners used the National Association of Insurance Commissioners’ (NAIC) standard of:

10% error ratio on policy files (90% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a “yes / no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings,
- Had additional information for the examiners to consider, and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the Company's responses and the examiners' recommendations are included in this report.

SAMPLING

Upon request, the Company supplied reports of new policy and replacement policy data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were pulled from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample since it supplies a random starting point from which to select the sample.

COMPANY HISTORY

John Hancock Life Insurance Company (U.S.A.), was incorporated on August 20, 1955, in the state of Maine as the Maine Fidelity Life Insurance Company and commenced writing business on January 31, 1956.

On December 30, 1982, The Manufacturers Life Insurance Company (“Manulife”), an insurer domiciled in Canada, purchased 100% of the issued common stock of the Company from NGM Corporation.

The Company changed its name to The Manufacturers Life Insurance Company (U.S.A.) on July 31, 1990, and subsequently re-domesticated in Michigan as of December 30, 1992. In January of 2002, The Manufacturers Life Insurance Company (U.S.A.) merged all of their company operations with John Hancock Life Insurance Company (U.S.A.). Effective January 1, 2005, the Company changed its name to John Hancock Life Insurance Company (U.S.A.) (“John Hancock USA”).

As a result of various reorganizations, John Hancock USA is currently a fourth tier wholly owned subsidiary of Manulife, which in turn is a wholly owned subsidiary of Manulife Financial Corporation, a publicly traded insurance holding company.

The Company is currently licensed to write life and disability business, including variable life and annuity business, in all states in the United States, including District of Columbia, Guam, Puerto Rico and Virgin Islands excluding New York.

COMPANY OPERATIONS

The Company's statutory home office is in Bloomfield Hills, Michigan, with its primary location of books and records in Toronto, Ontario, Canada. The Company also has its principal executive office in Boston, Massachusetts. The Company's 2003 and 2004 reported direct premiums written and direct incurred losses paid during the examination period are as follows:

Life	Ohio		National	
Year	Direct Written Premiums	Incurred Losses	Direct Written Premiums	Incurred Losses
2003	\$58,003,059	\$20,404,664	\$1,615,904,856	\$640,490,682
2004	\$77,985,002	\$25,221,185	\$2,032,832,554	\$551,918,423

As of December 31, 2004, the officers of the Company were:

President:	John David DesPrez III
Secretary:	James David Gallagher
Controller:	Denis Turner
Chief Financial Officer:	Marc Constantini

CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the examination, the examiners determined that the Company operations were in compliance with its Certificate of Authority.

EXTERNAL LIFE REPLACEMENTS

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-06-05?

Methodology:

- The examiners reviewed all written policies and procedures that instructed the agents on the Company's replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing external replacement policies by policy type.
 1. The entire population of two external whole life replacement policies listed on the replacement register was reviewed.

2. A sample of 50 term life replacement policies from the population of 140 was reviewed.
 3. A sample of 50 universal life replacement policies from the population of 332 was reviewed.
 4. The entire population of 63 variable universal life replacement policies listed on the replacement register was reviewed.
- The examiners considered any file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

Findings: External Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	44	6	90%	88%
Universal Life	332	50	47	3	90%	94%
Variable Universal Life	63	63	59	4	90%	94%

Examiner’s Recommendation (Term Life): The Company needs to develop procedures and have controls in place to ensure that the selling agent presents the “Notice Regarding Replacement” to the applicant at the time of application.

Test 4: Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 5: Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	1	1	90%	50%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Examiner’s Recommendation (Whole Life): The Company needs to implement and monitor procedures to ensure that both the applicant and the agent sign the “Notice Regarding Replacement.”

Test 6: Did the agent submit a completed application to the replacing company? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	1	1	90%	50%
Term Life	140	50	49	1	90%	98%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Examiner's Recommendation (Whole Life): The Company needs to implement and monitor procedures to ensure that the selling agent submits a copy of the completed application to the replacing company pursuant to Ohio Adm.Code 3901-6-05(F)(2) and (G)(1).

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Findings: External Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-06-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the company requirement section of the replacement law tested.

Test 1: Did the Company require a statement by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 4: Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement"? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 5: Did the Company maintain evidence in the file of the “Notice Regarding Replacement,” the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	63	0	90%	100%

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	50	0	90%	100%
Universal Life	332	50	50	0	90%	100%
Variable Universal Life	63	63	53	10	90%	84%

Examiner’s Recommendation (Variable Universal Life): The Company needs to implement procedures and have controls in place to ensure that notification of the 20-day free look period and premium refund information is provided to the applicant with the replacement policy.

Test 7: Did the Company send a written communication to the existing insurer advising of the replacement within three working days of receipt of the application? Ohio Adm.Code 3901-6-05(G)(2)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	1	1	90%	50%
Term Life	140	50	28	22	90%	56%
Universal Life	332	50	27	23	90%	54%
Variable Universal Life	63	63	41	22	90%	65%

Examiner’s Recommendation: The Company needs to develop procedures, administer training, and have controls in place to assure the company being replaced is notified of the replacement within three working days from the receipt of the application.

Test 8: Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm.Code 3901-6-05(G)(2)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Whole Life	2	2	2	0	90%	100%
Term Life	140	50	44	6	90%	88%
Universal Life	332	50	46	4	90%	92%
Variable Universal Life	63	63	61	2	90%	97%

Examiner’s Recommendation (Term Life): The Company needs to develop procedures and have controls in place to assure that the company being replaced is provided a copy of the proposed policy, contract summary, or ledger statement with the required written replacement notification.

INTERNAL LIFE REPLACEMENTS

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

Methodology:

- The examiners reviewed all written policies and procedures that instructed the agents on the Company’s replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing internal replacement policies by policy type.
- The entire population of 26 internal life replacement policies listed on the replacement register was reviewed.
- The examiners considered a file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

Findings: Internal Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	20	6	90%	77%

Examiner’s Recommendation: The Company needs to develop procedures to ensure that the selling agent presents the “Notice Regarding Replacement” to the applicant at the time of application.

Test 4: Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 5: Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 6: Did the agent submit a completed application to the replacing company? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Findings: Internal Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-06-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the company requirement section of the replacement law tested.

Test 1: Did the Company require a statement by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 4: Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement?" Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 5: Did the Company maintain evidence in the file of the "Notice Regarding Replacement", the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

Population:	Sample:	Yes:	No:	Standard:	Findings:
26	26	26	0	90%	100%

ADDITIONAL EXAMINATION FINDINGS

The examiners conducted a review of the Company’s complaints and complaint handling procedures. The review was conducted to identify any problem areas or negative trends in service. The company received a total of 17 complaints pertaining to individual life insurance from Ohio policyholders during the examination period. Specifically, nine of the individual life insurance complaints involved unsatisfactory service including delayed response time, billing errors, and misunderstood surrender charges. Secondary to service related complaints, four consumers complained about products that appeared to be unsuitable for their needs and questioned policy performance based upon the original sales illustration. Lastly, four complaints were associated with agent handling and communication.

Even though the numbers of complaints does not raise a concern, the complaints do provide some indications that could be addressed by the Company to better serve Ohio consumers. The examiners recommend that the Company review their consumer service procedures to ensure that responses to consumer questions are timely and offer clear and concise explanations of policy performance, and that product recommendations are consistent with the insurance and financial goals of the consumer. Improvements in these areas may help to alleviate questions and misunderstandings.

SUMMARY

The examination found the Company to be out of compliance in the following areas:

<u>Areas of Review:</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
External Whole Life Insurance - Agent Requirements		
“Notice Regarding Replacement” signed by Agent and applicant	90%	50%
Completed application submitted to replacing company	90%	50%
External Whole Life Insurance – Company Requirements		
Written communication sent to existing insurer in 3 days	90%	50%
External Term Life Insurance – Agent Requirements		
“Notice Regarding Replacement” presented at time of application	90%	88%
External Term Life Insurance – Company Requirements		
Written communication sent to existing insurer in 3 days	90%	56%
Provide existing insurer with proposed policy information	90%	88%
External Universal Life Insurance – Company Requirements		
Written communication sent to existing insurer in 3 days	90%	54%
External Variable Universal Life Insurance – Company Requirements		
Provide notification of 20-day free look and premium refund in or with insurance policy	90%	84 %
Written communication sent to existing insurer in 3 days	90%	65%
Internal Life Insurance Replacements – Agent Requirements		
“Notice Regarding Replacement” presented at time of application	90%	77%

This concludes the report of the Market Regulation Examination of the Manufacturers Life Insurance Company (U.S.A.). The Examiners, John Pollock and Robert Stroup, would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.



 John E. Pollock
 Examiner in Charge

 Date *May 23, 2007*

Appendix A

Company Response



John Hancock Financial Services, Inc.
Litigation and Employment Division
Law Sector

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NOV 15 2006

OHIO DEPT. OF INSURANCE
MARKET CONDUCT DIVISION

William A. Gottlieb
Assistant Vice President and Senior Counsel

November 14, 2006

VIA UNITED PARCEL SERVICE

Rodney Beetch
Insurance Compliance Supervisor
Ohio Department of Insurance
2100 Stella Court
Columbus, OH 43215-1067

**Re: Manufacturers Life Insurance Company (U.S.A.)
Market Conduct Examination**

Dear Mr. Beetch:

I am writing on behalf of Manufacturers Life Insurance Company (U.S.A.), (hereinafter referred to as the "Company") in response to John Pollock's e-mail of November 7, 2006 to Anne Marie Graceffa. Therein, you solicited the Company's "comments" on the proposed "final" Report of the Market Conduct Examination of Manufacturers Life Insurance Company (U. S. A.) (the "Report"). As a preliminary matter, the Company very much appreciates the substantial changes that the Department made to the draft Report following the Department's review of the Company's response of June 15, 2006 ("Response"). The Company's comments on the proposed final Report are as follows:

A. EXTERNAL REPLACEMENTS: AGENT REQUIREMENTS

1. Test 3

The Company suggested in its Response to "Test 3" in the External Replacement Agent Requirements section of the draft Report, that the number of Universal Life policies allegedly in violation be reduced from 6 to 2, and that the compliance rate be increased from 88% to 96%. The Company specified why each of the four Universal Life policies at issue were in fact compliant. The Department subsequently reduced the number of alleged violations to 3 and increased the compliance percentage to 94%. However, the Department did not specify which Universal Life policy the Department still found to be non-compliant. As such, the Company has been disadvantaged and is not in a position to offer any further substantive argument on why one additional Universal Life policy should be considered

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November 14, 2006
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compliant. If the Department is willing to identify the policy at issue, the Company would offer further support for its position.

It appears that in consideration of the Company's Response, the Department changed the "Examiner's Recommendation" to indicate that instead of applying across the board to each of the four referenced types of policies, it relates exclusively to "Term Life", which had a compliance rate of 88%. First, at 88%, the Term Life compliance rate is just two percentage points below the 90% "standard". Second, and more importantly, the Company respectfully objects to the Department offering a Recommendation that applies to a single type of life insurance policy. The Company's replacement policies and procedures do not differentiate between product lines. Here, the cumulative compliance rate for all products was 94%. The Department's analysis as to whether or not a recommendation is appropriate should be based on the cumulative compliance rate. In fact, this would be consistent with the Department's treatment of the Internal Life Replacements section of the Report. There, the Department did not differentiate between product types and simply listed the cumulative compliance rate. While the Company recognizes that this may have been a function of the relatively small population, it is the appropriate approach. In sum, the Company respectfully urges the Department to delete this Recommendation from the Report.

2. Whole Life Population/Standard

Throughout the External Replacement section of the Report, the Whole Life "Population" and the resulting "Sample" utilized consists of only two policies. Deficiencies associated with one of the two policies caused the compliance rate to be 50% for Tests 5 and 6 under "Agent Requirements". Test 5 queried, "Was the 'Notice Regarding Replacement' signed by both the applicant and the agent?". Test 6 inquired, "Did the agent submit a completed application to the replacing company?". The Company respectfully contests the need for a Recommendation based exclusively on issues attendant to a single policy. By stark comparison, Term Life had a Population of 140 and a Sample size of 50; Universal Life had a Population of 352 and a Sample size of 50; and Variable Universal Life had a Population of 63 and a Sample size of 63. Under Test 5, they all had a 100% compliance rate. Under Test 6, Term Life had a 98% compliance rate and Universal Life and Variable Universal Life each had a 100% compliance rate. The Company respectfully requests that the Department delete from the Report the Recommendations referenced in Tests 5 and 6.

B. EXTERNAL REPLACEMENTS: COMPANY REQUIREMENTS

1. Test 6

The Company suggested in its Response to "Test 6" of the External Replacement Company Requirements section of the draft Report, that the number of Variable Universal Life policies allegedly in violation be reduced from 12 to 0, and that the compliance rate be increased from 81% to 100%. The Company specified why each of the twelve Variable Universal Life policies at issue were in fact compliant. The Department reduced the number of alleged violations to 10 and increased the compliance rate to 84%. However, the Department did not specify the two Variable Universal Life policies the Department found to be compliant nor the ten Variable

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November 14, 2006
Page 3

Universal Life policies the Department still considered to be non-compliant. As such, the Company has been disadvantaged and is not in a position to offer any further substantive argument on why ten additional Universal Life policy should be considered compliant. If the Department is willing to identify the specific policies at issue, the Company would offer further support for its position.

Again, the Company's replacement policies and procedures do not differentiate between product lines. Here, the cumulative compliance rate for all products was 96%. The Department's analysis as to whether or not a recommendation is appropriate should be based on the cumulative compliance rate. As such, the Company respectfully requests that this Recommendation be deleted from the Report.

2. Test 8

It appears that in consideration of the Company's Response, the Department changed the "Examiner's Recommendation" to indicate that instead of applying across the board to each of the four referenced types of policies as it did in the draft Report, it now relates exclusively to "Term Life", which had a compliance rate of 88%. First, at 88%, the Term Life compliance rate is just two percentage points below the 90% "standard". Second, and more importantly, the Company respectfully objects to the Department offering a Recommendation that applies to a single type of life insurance policy. The Company's replacement policies and procedures do not differentiate between product lines. Here, the cumulative compliance rate for all products was 94%. The Department's analysis as to whether or not a recommendation is appropriate should be based on the cumulative compliance rate. In fact, this would be consistent with the Department's treatment of the Internal Life Replacements section of the Report. There, the Department did not differentiate between product types and simply listed the cumulative compliance rate. While the Company recognizes that this may have been a function of the relatively small population, it is the appropriate approach. In sum, the Company respectfully urges the Department to delete this Recommendation from the Report.

C. INTERNAL REPLACEMENTS

1. Test 3

The Company suggested in its Response to "Test 3" in the Internal Replacement Agent Requirements section of the draft Report, that the number of policies allegedly in violation be reduced from 6 to 5, and that the compliance rate be increased from 77% to 81%. The Company specified why the policy at issue was in fact compliant. In this regard, the Company wrote, "The Examiners noted that the reason this policy was cited was, 'Replacement notice signed after application'. The Company respectfully disagrees. Copies of the Replacement Notice and the Application are attached collectively as 'Exhibit 64'. Both documents were signed on April 6, 2005". The Department declined to make the requested change. However, the Department did not specify why, notwithstanding the evidence submitted, it still found the Company to be non-compliant. As such, the Company has been disadvantaged and is not in a position to offer any further substantive argument on why one additional policy should be

Rodney Beetch
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considered compliant. If the Department is willing to identify the rationale for its position, the Company would offer further support for its position.

D. ADDITIONAL EXAMINATION FINDINGS

Notwithstanding the Company's Response to the "Additional Examination Findings" section of the draft Report, the Department has added a second paragraph to the proposed final report, which includes a Recommendation. As previously noted, the number of complaints received by the Company during the period of January 1, 2003 to December 31, 2004, comprise of less than 1% of the total of the Company's inforce business for the state of Ohio. The Company's current procedures are designed to ensure a quick response time, and the Company has strong internal controls to monitor quality. The Company's goal is to ensure that there is no compromise in the quality of service that the Company delivers to its customers. The Company certainly did not feel that the subjective commentary in the draft Report was appropriate and now specifically objects to the Recommendation that has been added in the Report. Complaints are mere allegations. The Company should not be put in the position of discussing the individual merits of each Complaint. In this regard, the Company continues to object to the subjective commentary in the first paragraph and requests that the Recommendation be deleted.

Alleged violations or references in the Report which have not been specifically addressed in these comments are not necessarily accepted nor adopted as accurate. The Company reserves the right to supplement its comments as may be necessary. The Company hopes that the Department will amend the putative final Report as requested. If not, the Company requests that these comments be filed as an attachment to the Report.

Thank you for your attention to this matter.

Yours truly,



William A. Gottlieb
Assistant Vice President and Senior Counsel

WAG:lce

cc: John E. Pollock (via e-mail)
Anne Marie Graceffa

STATE OF OHIO
DEPARTMENT OF INSURANCE

In the matter of)
Manufacturers Life Insurance Company (U.S.A.)) CONSENT ORDER
Market Regulation Desk Audit)

The Superintendent of the Ohio Department of Insurance (Department) is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code, Section 3901.011. Manufacturers Life Insurance Company (U.S.A.) (Company) is authorized to engage in the business of insurance in the State of Ohio and as such is under the jurisdiction of the Superintendent and the Department. The Department conducted a desk audit of the Company's replacement activities for individual life insurance from the period of January 1, 2003 through December 31, 2004, "A Market Conduct Examination of Manufacturers Life Insurance Company (U.S.A.), NAIC 65838 as of December 31, 2004," which is incorporated by reference herein.

SECTION I

As a result of the market conduct examination, the Superintendent alleges that the Company failed to comply with certain requirements of 3901-6-05 of the Ohio Adm. Code.

SECTION II

It is hereby agreed by the parties that:

(A) The Superintendent and Company enter into this Consent Order to fully and completely resolve the allegations as set forth in Section I of this Consent Order. Further, Company does not contest the allegations set forth in Section I.

(B) Company has been advised that it has a right to a hearing before the Superintendent pursuant to Chapter 119 of the Revised Code on the allegations set forth in Section I; that, at hearing, Company would be entitled to appear representing itself or represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. Company hereby waives all such rights.

(C) Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. Company expressly waives any prerequisites to jurisdiction that may exist.

(D) Company shall review and modify its internal guidelines and procedures in order to assure both its compliance and its agents' compliance with Ohio's Replacement Rule as set forth in 3901-6-05, as amended, for all life insurance products it markets and sells in the State of Ohio. Company is aware that Ohio has enacted a new replacement rule, based on the National Association of Insurance Commissioners (NAIC) model act, effective March 1, 2007.

(E) Company shall pay an administrative fine in the amount of Thirty Thousand Dollars (\$ 30,000), by check or money order, within thirty (30) days of receipt of an invoice from the Department. Its remittance shall be made payable to: "Ohio Department of Insurance."

(F) Company waives any and all causes of action, claims, rights, whether known or unknown, which it may have against the Superintendent, the Department, and any employees, agents, consultants or officials of the Department, in their individual or official capacities, as a result of any acts of omissions on the part of such persons or firms arising out of the matter set forth in Section I of this Consent Order.

(G) Company has read and understands this Consent Order. Company fully understands that it has a right to seek counsel of its choice and to have counsel review this Consent Order.

(H) This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to section 149.43 of the Revised Code.

MANUFACTURERS LIFE INSURANCE COMPANY (U.S.A.)
Now known as John Hancock Life Insurance Company (U.S.A.)

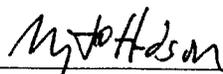
DATE April 11/07

BY: 
Steven A. Finch

TITLE: Senior Vice President

SUPERINTENDENT OF THE
OHIO DEPARTMENT OF INSURANCE

DATE 23 May 2007


Mary Jo Hudson