

Report on

Market Conduct Examination

of

John Hancock Life Insurance Company (U.S.A.)

Lansing, Michigan

by Representatives of the

North Carolina Department of Insurance

as of

January 12, 2016

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Raleigh, North Carolina
January 12, 2016

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603-5926

Honorable Patrick M. McPharlin
Director of Insurance
Department of Insurance and Financial Services
Mason Building, 8th Floor
530 W. Allegan Street
Lansing, Michigan 48933

Honorable Commissioner and Honorable Director:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

John Hancock Life Insurance Company (U.S.A.) – [NAIC # 65838]
NAIC Exam Tracking System Exam Number: NC299-M69
Lansing, Michigan

hereinafter generally referred to as the Company, at the Company's office located at 601 Congress Street, Boston, Massachusetts, and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on June 22, 2015, and covered the period of January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through December 22, 2015. This action was taken due to market analysis on long-term care. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in underwriting and claims. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 7 percent for claims practices; and 10 percent for all other areas reviewed.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following areas:

Underwriting Practices – Individual Long-Term Care Replacements: The notification letter to the existing insurer was sent more than five business days after the application was received.

Claims Practices – Individual Long-Term Care Claims Paid: Files did not contain a 45-day status report and/or a 30-day acknowledgment letter.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the Department Web site www.ncdoi.com by clicking "INSURANCE DIVISIONS" then "Legislative Services".

This examination identified various statutory violations, which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

UNDERWRITING PRACTICES

Individual Long-Term Care Issued

The Company provided a listing of 743 individual long-term care issued policy files. Fifty files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a new policy was 62 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
15 - 21	2	4.0
22 - 30	5	10.0
31 - 60	21	42.0
Over 60	22	44.0
Total	50	100.0

Individual Long-Term Care Declined

The Company provided a listing of 331 individual long-term care declined application files. Fifty files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and decline an application was 38 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	3	6.0
8 - 14	4	8.0
15 - 21	7	14.0
22 - 30	10	20.0
31 - 60	17	34.0
Over 60	9	18.0
Total	50	100.0

Individual Long-Term Care Issued Substandard

The Company offers long-term-care coverage for risks deemed uninsurable at standard rates by normal standards. These substandard-issued policies typically reflect higher rates based on an applicant's medical history such as chronic conditions controlled by medication, smokers with no related symptoms, or Body Mass Index (BMI) that meets the definition of overweight but not obese which may not necessarily warrant an outright denial of coverage. The decision to offer these substandard policies is determined during the application review and underwriting process.

Fifty policy files from a population of 114 individual long-term care issued substandard files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to underwrite and issue a substandard policy was 75 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
15 - 21	1	2.0
22 - 30	3	6.0
31 - 60	15	30.0
Over 60	31	62.0
Total	50	100.0

Individual Long-Term Care Replacements

The entire population of nine individual long-term care policy replacement files was reviewed. The Company did not adhere to the provisions of 11 NCAC 12.1010(d) as one file (11.1 percent error ratio) contained a notification letter to the existing insurer that was sent more than five business days after the application was received.

The average service time from the date the application was received to the date on the notification letter sent to the replaced insurer was five calendar days. A chart of the average service time to notify the existing insurer of replacement follows:

Service Days	Number of Files	Percentage of Total
1 - 7	8	88.9
8 - 14	0	0.0
15 - 21	0	0.0
22 - 30	1	11.1
Total	9	100.0

CLAIMS PRACTICES

Individual Long-Term Care Claims Paid

The Company provided a listing of 251 individual long-term care claims paid files. Fifty files were randomly selected for review. The Company did not adhere to the provisions of NCGS 58-3-100(c) as four claims (8.0 percent error ratio) did not contain a 45-day status report and/or a 30-day acknowledgment letter.

The average service time to process a claim payment was 20 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	8	16.0
8 - 14	13	26.0
15 - 21	13	26.0
22 - 30	11	22.0
31 - 60	4	8.0
Over 60	1	2.0
Total	50	100.0

Individual Long-Term Care Claims Denied

The entire population of 16 individual long-term care claims denied files was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was 76 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
22 - 30	4	25.0
31 - 60	10	62.5
Over 60	2	12.5
Total	16	100.0

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must send claim acknowledgment letters within 30 days of claim receipt, followed by a status report every 45 days until the claim is paid or denied. The Company must notify the existing insurer of a replacement within five business days of receipt of the application.

CONCLUSION

A target examination has been conducted on the market conduct affairs of John Hancock Life Insurance Company (U.S.A.) for the period January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through December 22, 2015.

This examination was conducted in accordance with the Department and the NAIC Market Regulation Handbook procedures, including analyses of Company operations in the areas of underwriting and claims practices.

In addition to the undersigned, Shane Masserd, MBA, MCM, MS, John Curry, CLU, FLMI, REBC, AIRC, MCM, and Marion Flemmings, HIA, HIPAAP, HCSA, MCM, North Carolina

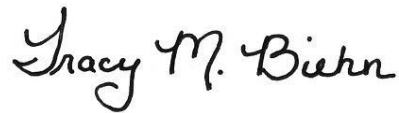
Market Conduct Senior Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Vicki S. Royal". The signature is written in a cursive style with a large initial 'V'.

Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in black ink that reads "Tracy M. Biehn". The signature is written in a cursive style with a large initial 'T'.

Tracy M. Biehn, MBA, MCM, LPCS
Deputy Commissioner
Market Regulation Division
State of North Carolina