

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

JOHN HANCOCK LIFE INSURANCE COMPANY

AS OF

SEPTEMBER 30, 2002

DATE OF REPORT:

JULY 29, 2004

EXAMINER:

MARK A. MCLEOD

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Gregory V. Serio
Superintendent

July 29, 2004

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21931, dated August 27, 2002 and annexed hereto, an examination has been made into the condition and affairs of John Hancock Life Insurance Company, hereinafter referred to as "the Company," at its home office located at John Hancock Place, Boston, Massachusetts 20117.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Company violated Section 3203(a)(15) of the New York Insurance Law by issuing participating cash value policies without the required policy provision (i.e., dividends are not guaranteed). The Company also violated Section 3203(a)(16) of the New York Insurance Law by issuing life insurance policies subject to subsection (b) of section four thousand two hundred thirty-two of the New York Insurance Law without the required policy provision (i.e., additional interest amounts are not guaranteed). Overall, more than 27,000 policies were issued without the required disclosures. (See item 4C of this report)

The Company violated Section 4224(b)(1) of the New York Insurance Law by failing to notify all eligible applicants of the exchange offer that was offered by the Company, which unfairly discriminated against individuals of the same class. (See item 4B of this report)

The Company violated Section 3214(c) of the New York Insurance Law by: failing to pay delayed settlement interest on individual variable annuity death claims from the date of death until the date of payment; by utilizing a rate lower than the interest rate paid on proceeds left under the interest settlement option for death claims on group life insurance policies; and by failing to pay interest on group annuity death claims in all cases where the policy was issued in New York. (See item 4C of this report)

The Company violated Section 51.6(b)(6) of Department Regulation No. 60 by failing to maintain the notification of replacement to the insurer whose life insurance policy was to be replaced. (See item 4A of this report)

2. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2000 through September 30, 2002. As necessary, the examiner reviewed transactions occurring subsequent to September 30, 2002 but prior to the date of this report (i.e., the completion date of the examination).

The examination was limited to a review of: corporate structure; underwriting; policy forms; replacements; agent licensing and compensation filings; treatment of policyholders; Separate Account plans of operations; and advertising. The examiner utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review.

This report on examination is confined to comments on matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company, formerly known as John Hancock Mutual Life Insurance Company, was incorporated as a mutual life insurance company under the laws of Massachusetts on April 21, 1862 and commenced business on December 27, 1862. In January 2000, the Company completed its demutualization process under the laws of Massachusetts and converted from a mutual life insurance company to a stock life insurance company. In connection with the demutualization plan, the Company changed its name from John Hancock Mutual Life Insurance Company to its present name, John Hancock Life Insurance Company. Initial resources of \$1,542,488,000 consisting of common capital stock of \$10,000,000 and contributed surplus of \$1,532,488,000 were provided through the sale of 1,000 shares of common stock for \$1,542,488 per share.

B. Holding Company

The Company is a wholly owned subsidiary of John Hancock Financial Services, Inc. (“JHFS”), a Delaware holding company. The Company’s US subsidiaries include John Hancock Variable Life Insurance Company (“JHVLIC”), a wholly owned subsidiary of the Company, and Investors Partner Life Insurance Company (“IPL”), a wholly owned subsidiary of JHVLIC. JHVLIC is a Massachusetts insurer that writes primarily variable and universal life insurance and IPL is a Delaware company that operates as the Company’s broker-dealer.

The Company has an administrative service agreement with JHVLIC and IPL whereby the Company provides administrative services to JHVLIC and IPL which include but are not limited to: collecting premiums; handling contractual changes; answering customer calls and letters; processing and paying claims; interfacing with regulatory authorities; and maintaining appropriate records.

C. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than three directors. Directors are divided into three classes that are elected for a period of three years at each annual meeting of the stockholders. As of December 31, 2001, the board of directors consisted of 15 members. Meetings of the board are held quarterly.

The 15 board members and their principal business affiliation, as of December 31, 2001, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Foster L. Aborn Hingham, MA	Retired Chairman of the Board John Hancock Life Insurance Company	1987
Wayne A. Budd Boston, MA	Executive Vice President and General Counsel John Hancock Life Insurance Company	1998
John M. Connors, Jr.* Brookline, MA	Chief Executive Officer and Director Hill Holliday, Connors, Cosmopolos, Inc.	1991
David F. D'Alessandro Weston, MA	Chairman, President and Chief Executive Officer John Hancock Life Insurance Company	1990
John M. DeCicco Boston, MA	Executive Vice President and Chief Investment Officer John Hancock Life Insurance Company	2001
Robert E. Fast Esq.* Newton, MA	Senior Partner Hale and Dorr	1989
Kathleen F. Feldstein* Belmont, MA	Principal Fleetwing Capital	1976
Nelson S. Gifford* Wellesley, MA	President Economic Studies, Inc.	1993
Thomas P. Glynn* Belmont, MA	Chief Operating Officer Partners Healthcare System	2001
Michael C. Hawley* Boston, MA	Retired Chairman and Chief Executive Officer The Gillette Company	1995
Edward H. Linde* Weston, MA	President and Chief Executive Officer Boston Properties, Inc.	1999
Judith A. McHale* Chevy Chase, MD	President and Chief Operation Officer Discovery Communications, Inc.	1999

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
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R. Robert Popeo, Esq.* Needham, MA	Chairman Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC	2000
Richard F. Syron* Chestnut Hill, MA	Executive Chairman Thermo Electron Corporation	1995
Robert J. Tarr, Jr.* Boston, MA	Former Chairman, President and Chief Executive Officer HomeRuns.com	1996

* Not affiliated with the Company or any other company in the holding company system

In August 2002, Richard B. DeWolfe was elected to the board. In December 2002, Robert J. Davis was elected to the board. Effective May 2002, Nelson S. Gifford retired from the board. Effective August 2002, Kathleen F. Feldstein resigned from the board.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2001:

<u>Name</u>	<u>Title</u>
David F. D'Alessandro	Chairman, President and Chief Executive Officer
Barry J. Rubenstein	Vice President, Counsel and Corporate Secretary
Gregory P. Winn	Senior Vice President and Treasurer
Barry L. Shemin	Senior Vice President and Actuary
Earl W. Baucom	Senior Vice President and Controller
Michael A. Bell	Senior Executive Vice President
Wayne A. Budd	Executive Vice President and General Counsel
Derek Chilvers	Executive Vice President
John M. DeCiccio	Executive Vice President and Chief Investment Officer

Effective August 2002, Barry J. Rubenstein retired and was replaced by James E. Collins. Effective October 2002, Deborah H. McAneny was elected Executive Vice President. Effective December 2002, James M. Benson was elected Senior Vice President.

As of December 31, 2001, Antoinette Ricci was the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands. The Company is also licensed in Canada, the Northern Marianas, and U.S. military installations located in the Atlantic, European and Pacific overseas commands. In 2001, 22.8% of the life premiums were received from New York and 8.8% of life premiums were received from Massachusetts. In 2001, 39.8% of annuity considerations were received from Missouri, 21.0% of annuity considerations were received from Connecticut, and 10.7% of annuity considerations were received from Illinois. In 2001, 14.8% of accident and health premiums were received from New York and 7.8% of accident and health premiums were received from Florida. All deposit type funds were received from Massachusetts. Policies are written on a participating and non-participating basis.

The Company's principal lines of business during the examination period include individual and group life, individual and group annuities, and long-term care products. The Company conducts its domestic insurance business primarily through two major groups, Retail and Institutional. The Retail sector markets a variety of individual life, individual annuities and group long-term care products to middle and upper income markets. The principal life products include whole life, universal life, variable life, term life, and survivorship (second-to-die) life policies. The individual annuities consist of fixed deferred annuities, fixed immediate annuities, single premium immediate annuities and variable annuities. Marketing of these products are conducted through multiple distribution channels including insurance agents and brokers (independent or affiliated with the Company), banks, financial planners, securities brokerage firms, direct marketing and the internet. The Institutional sector provides group life and investment products and services to pension plans and other institutional investors. The products include guaranteed investment contracts, funding agreements, single premium annuities, structured settlements and general account participating annuities and funding type products. The contracts provide non-guaranteed, partially guaranteed and fully guaranteed investment options through general and Separate Account products. Marketing and distribution of these

products is through field employee representatives, home office marketing personnel, pension consultants and investment professionals.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

1. Section 215.17(a) of Department Regulation No. 34 states, in part:

“ . . . Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement . . . with a notation attached to each such advertisement which shall indicate the manner and extent of distribution and the form number of any policy advertised. . . . ”

Section 219.5(a) of Department Regulation No. 34-A states, in part:

“Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. . . . ”

The Company's advertising file failed to include a notation indicating the extent of distribution of any life or accident and health advertisement.

The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34-A by failing to include a notation indicating the extent of distribution of any life or accident and health advertisement.

2. The Company maintains information other than advertisements in their advertising file. In addition to advertisements, the Company maintains correspondence with policyholders and prospective policyholders in its advertising file.

The examiner recommends that the Company exclude items from its advertising file that are not considered advertisements as defined by Department Regulations No. 34 and No. 34-A.

3. Section 4216(e) of the New York Insurance Law states:

“Each domestic insurer and each foreign or alien insurer doing business in this state shall file with the superintendent its schedule of rates of commissions, compensation and other fees or allowances to agents and brokers pertaining to the solicitation or sale of group life insurance and of fees or allowances, exclusive of amounts payable to persons who are in the regular employ of the insurer other than as agent, to any individuals, firms or corporations pertaining to the service or administration of group life insurance, whether transacted within or without this state. An insurer may revise such schedules from time to time, and shall file such revised schedules with the superintendent. No insurer shall pay to an agent, agents, broker or brokers or any combination of licensees for the solicitation or sale of a policy of group life insurance or for any other purpose related to such group insurance any commission, compensation or other fees or allowances in excess of that determined on the basis of the schedules of such insurer as then on file with the superintendent; nor shall such insurer pay for services pertaining to the service or administration thereof to any individual, firm or corporation any fees, commissions or allowances in excess of that determined on the basis of the schedules of such insurer as then on file with the superintendent or for such services except such as are rendered in behalf of such insurer, provided, however, nothing contained herein shall apply to or affect the computation of dividends or experience rating credits.”

The Company paid agents a service fee of 9.5% of policy premiums in all six group life cases the Company issued during the examination period. The service fee schedules on file with the Department for group life insurance indicate that the Company will pay agents 9% of the policy premium if 12 out of 20 activity tests are met by writing agents and 9.75% of the policy premium if 13 out of 20 activity tests are met by writing agents. The commission agreements for all of the policies issued during the examination period indicate that 9.5% of the policy premium is payable on the group life contracts. The commission agreements do not make any mention of activity tests. The Company does not document that activity tests were performed by writing agents and the Company cannot substantiate that the agents met 12 or 13 of the 20 activity tests.

The Company violated 4216(e) of the New York Insurance Law by paying their agents service fees in excess of the service fee schedules on file with the Department.

It is noted that on October 31, 2003 the Company sold all of their group business to Metropolitan Life Insurance Company.

4. Section 51.6(b) of Department Regulation No. 60 states, in part:

“Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .

(6) . . . maintain copies of . . . the notification of replacement to the insurer whose life insurance policy or annuity contract is to be replaced . . .

In several instances the Company failed to maintain the notification of replacement to the insurer whose life insurance policy was to be replaced.

The Company violated Section 51.6(b)(6) of Department Regulation No. 60 by failing to maintain the notification of replacement to the insurer whose life insurance policy was to be replaced.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

1. Section 3201(b)(1) of the New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent . . .”

Group long-term care application form number GLTC-ABC- 2/96-NY (file No. 99090019-89) was approved by the Superintendent for use on a single case basis for certificate applications for a single group. The Company not only used this form in the case for which it was approved, but also used a modified version of the application in the Company’s subsequent group certificate applications.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using an unapproved modified version of a policy form.

2. Section 4224(b) of the New York Insurance Law states, in part:

“No insurer doing in this state the business of accident and health insurance, as specified in paragraph three of subsection (a) of section one thousand one hundred thirteen of this chapter, and no officer or agent of such insurer and no licensed insurance broker, and no employee or other representative of such insurer, agent or broker shall:

(1) make or permit any unfair discrimination between individuals of the same class in the amount of premiums, policy fees, or rates charged for any policy of accident and health insurance, or in the benefits payable thereon, or in any of the terms or conditions of such policies, or in any other manner whatsoever . . . ”

In May of 2002, the Company introduced a new Custom Care and Essential Care Long Term Care product. At the same time, an informal exchange offer was offered to some existing eligible policyholders of the Advantage Gold Select Individual Long Term Care Policy. Eligible policyholders were policyholders of the Advantage Gold Select Individual Long Term Care Policy, whose policy was issued within 90 days of the introduction of the new Custom Care and Essential Care Long Term Care product. The Company indicated that it did not formally notify any eligible clients directly. The notification of eligible applicants of this exchange offer was left to the discretion of the agents. All eligible policyholders in the specific class were not afforded the opportunity to exchange their policy.

The Company violated Section 4224(b)(1) of the New York Insurance Law by failing to notify all eligible applicants of the exchange offer that was offered by the Company, which unfairly discriminated against individuals of the same class.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

1. Section 3214(c) of the New York Insurance Law states, in part:

“If no action has been commenced, interest upon the principal sum paid to the beneficiary or policyholder shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of the death of an insured or annuitant in connection with a death claim on such a policy of life insurance or contract of annuity . . . to the date of payment and shall be added to and be a part of the total sum paid.”

a) The Company’s procedure for the payment of interest on individual variable annuity death claims is to pay interest from the date of death until the date that all proofs are received in good order. Interest was not paid from the date that all proofs are received in good order until the date of payment.

The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest to the date of payment on annuity death claims.

b) The interest rate paid on death claims on group life policies is less than the interest rate paid by the Company on proceeds left under the interest settlement option. The Company pays interest on individual death claims based on the interest settlement option rate.

The Company violated Section 3214(c) of the New York Insurance Law by paying interest on death claims on group life policies using a rate that is less than the interest settlement option rate.

c) The Company paid interest on group annuity death claims only in instances where the beneficiaries resided in New York, Connecticut, California and Wisconsin. The Company did not pay interest on death claims in all cases where the annuity contract was delivered or issued for delivery in New York.

The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest on death claims on group annuity contracts in all cases where the policy was issued for delivery in New York.

2. Section 4232(a) of the New York Insurance Law states, in part:

“(1) If any contract subject to section four thousand two hundred twenty-three of this article, provides for additional amounts to be credited to the contract during any period in accordance with the provisions of paragraph one of subsection (g) of section four thousand two hundred thirty-one of this article . . .

(2) No such additional amounts shall be guaranteed or credited except upon . . .

(iii) written criteria approved by the board of directors or a committee thereof. . . .”

Section 4232(b) of the New York Insurance Law states, in part:

“(1) Any individual life insurance policy may provide that in addition to any minimum benefits guaranteed in the policy, additional amounts may be credited to the policy. . . .

(4) Any such additional amounts shall be credited on a basis equitable to all policyholders of a given class and shall be based on written criteria approved by the board of directors of the company or a committee thereof.”

During the examination period the Company had a committee appointed by the board of directors as opposed to a committee of the board of directors approve the crediting of additional amounts on contracts subject to section four thousand two hundred twenty-three of the New York Insurance Law and the crediting of additional amounts on individual life insurance policies. The Company became aware during the examination of the Department’s position that a committee of the board of directors must approve the written criteria. Once advised of the Department’s position the Company had the board of directors approve the existing written criteria without any changes. The Company has agreed going forward to have a committee of the board of directors approve the written criteria.

3. Section 3203(a) of the New York Insurance Law states:

“All life insurance policies, except as otherwise stated herein, delivered or issued for delivery in this state, shall contain in substance the following provisions, or provisions which the superintendent deems to be more favorable to policyholder: . . .

(15) that states on the policy data or policy specifications page of a participating cash value policy that dividends are not guaranteed and the insurer has the right to change the amount of dividend to be credited to the policy which may result in lower dividend cash values that were illustrated, or, if applicable, require more premiums to be paid than were illustrated. . . .

(16) that states on the policy data or policy specifications page of a life insurance policy subject to subsection (b) of section four thousand two hundred thirty-two of this chapter, to the extent applicable, that additional amounts are not guaranteed and the insurer has the right to change the amount of interest credited

to the policy and the amount of cost of insurance or other expense charges deducted under the policy which may require more premium to be paid than was illustrated or the cash values may be less than those illustrated. . . .”

The Company issued participating cash value policies that did not include the policy provision required by Section 3203(a)(15) of the New York Insurance Law. The Company also issued life insurance policies subject to subsection (b) of section four thousand two hundred thirty-two of the New York Insurance Law that did not include the policy provision required by Section 3203(a)(16) of the New York Insurance Law. Overall, more than 27,000 policies were issued without the required disclosure.

The Company violated Section 3203(a)(15) of the New York Insurance Law by issuing participating cash value policies without the policy provision required by this section.

The Company violated Section 3203(a)(16) of the New York Insurance Law by issuing life insurance policies subject to subsection (b) of section four thousand two hundred thirty-two of the New York Insurance Law without the policy provision required by this section.

5. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and the comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34-A by failing to include a notation indicating the extent of distribution of any life or accident and health policy advertisement.	9
B	The examiner recommends that the Company maintain only advertising specimens in its advertising file as defined by Department Regulation No. 34 and No. 34-A.	9 – 10
C	The Company violated 4216(e) of the New York Insurance Law by paying their agents service fees in excess of the service fees on file with the Department.	10
D	The Company violated Section 51.6(b)(6) of Department Regulation No. 60 by failing to maintain the notification of replacement to the insurer whose life insurance policy was to be replaced.	11
E	The Company violated Section 3201(b)(1) of the New York Insurance Law by using an unapproved modified version of a policy form.	11
F	The Company violated Section 4224(b)(1) of the New York Insurance Law by failing to notify all eligible applicants of the exchange offer that was offered by the Company, which unfairly discriminated against individuals of the same class.	12
G	The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest to the date of payment on individual variable annuity death claims.	13
H	The Company violated Section 3214(c) of the New York Insurance Law by paying interest on death claims on group life policies using a rate that is less than the interest settlement option rate.	13
I	The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest on death claims on certain group annuity contracts issued in New York.	13

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
J	The Company has agreed going forward to have a committee of the board of directors approve the written criteria for the crediting of additional amounts on contracts subject to section four thousand two hundred twenty-three of the New York Insurance Law and the crediting of additional amounts on individual life insurance policies..	14
K	The Company violated Section 3203(a)(15) of the New York Insurance Law by issuing participating cash value policies without the required policy provision (i.e., dividends are not guaranteed).	14 - 15
L	The Company violated Section 3203(a)(16) of the New York Insurance Law by issuing life insurance policies subject to subsection (b) of section four thousand two hundred thirty-two of the New York Insurance Law without the required policy provision (i.e., additional interest amounts are not guaranteed).	14 - 15

APPOINTMENT NO. 21931

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

MARK MCLEOD

as a proper person to examine into the affairs of the

JOHN HANCOCK LIFE INSURANCE COMPANY

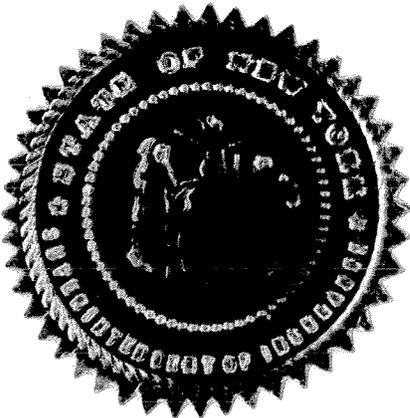
and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 27th day of August, 2002



GREGORY V. SERIO

Superintendent of Insurance

[Handwritten Signature]

Superintendent