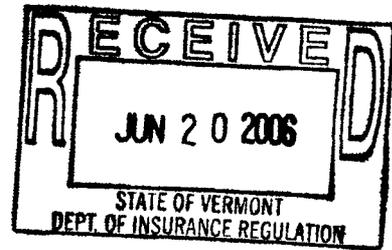


Manulife Financial

June 19, 2006

State of Vermont
Department of Banking, Insurance, Securities
And Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101



Attention: David Cassetty, Esq.
Enforcement Attorney, Insurance Division

Re: Manufacturers Life Insurance Company (U.S.A.) Market Conduct Examination
Report, as of December 31, 2003

Dear Mr. Cassetty,

Thank you for the opportunity to review the Examination Report.

We have attached to this letter as "Attachment A" the Company's responses to the Vermont Department's recommendations as contained on page 26 of the Report. We have included an original and two copies. The Company would welcome the opportunity to discuss its responses with you. Please feel free to contact me at 617-663-4490 or Anne Marie Graceffa at 617-572-5066.

Very truly yours,


Andrew Corselli
Counsel

Attachment A

Vermont Department Recommendations

Recommendation 1

Pages 10-12 & 14-17

In view of the large percentage of violations of replacement regulations identified in the annuity files, the examiners recommend that the appropriate staff, including producers, be re-trained regarding compliance with the requirements of Regulation 2001-3. The examiners further recommend that the Company assign, to one or more responsible persons, specific accountability for the review of every annuity replacement file and responsibility for completing and signing a checklist before each file is finally closed.

Response to Recommendation 1:

The Vermont Department has made certain recommendations in its draft Report with regard to staff and producer training and with regard to annuity replacement processing. The Company has taken the following actions with regard to those recommendations:

Employee Training

In the fall of 2003 mandatory and comprehensive training was given to all Annuity Operations processors. All newly hired employees in the Company's new business area must complete a comprehensive replacement module and an annual refresher course is administered to all new business representatives. The subject matter of the refresher courses is determined based on feedback from quality control representatives and audits. Regular updates are provided as needed at departmental staff meetings. Finally, ongoing communication exists between the new business area and the wholesale distribution sales desk to restate policies and procedures

Training of Third Party Agents

The company has contracted with RegEd, a third party web based training company, to deliver optional training to our independent agents who sell in Vermont. We selected two training courses which focus a substantial amount of their content on replacements and suitability. The courses have been certified by Vermont as meeting the continuing education requirements for Vermont licensed agents. Our annuity wholesalers who service Vermont have been utilized to deliver to agents a credit type card which permit the Vermont agents to access one of the courses free of charge.

Processing of Vermont Replacements

All of the new business of Vermont that is received by the Company is submitted for quality review. The review is conducted by staff other than staff who process the business. Additionally, the Company has modified the computer system that assists in new business processing to include a Forms Database Page. This page prompts the processor as to whether all forms required by the NAIC Model Replacement Regulation was received. The new business transaction can not be finalized until the Forms Database Page is completed. The Forms Database Page undergoes the quality review process.

Recommendation 2

Pages 13 & 16

It is recommended that those persons whose policies were replaced and who were notified of “free look” periods less than thirty (30) days be afforded a new “free look” period equal to thirty (30) days minus the number of days that they were originally afforded during the new “free look” period. They should be allowed an opportunity to return their contracts and receive refunds prescribed in the regulation.

Response to Recommendation 2:

All identified replacement applicants who were not afforded a thirty day “free look” period were offered an additional period equal to thirty days minus the number of days there were originally afforded.

Recommendation 3

Pages 17-19

In view of the fact that annuity contract # 2287854 was never delivered to the applicants, the Company should refund the additional amount of \$7,569.28 to which the applicants are entitled.

Response to Recommendation 3:

Regarding policy # 2287854, an additional amount of \$7,569.28 has been paid to the applicant.

Recommendation 4**Pages 20 & 21**

It is recommended that the Company go back and verify the state of issue for the closed block of business (Claim Unit 2), so that accurate information would be available to the Vermont Department.

Response to Recommendation 4:

The Company has reviewed its procedures for verifying a policy's state of issue for its closed block of business (Claim Unit 2). Accurate information is available regarding state of issue to the Vermont Department. Additionally, the Company has reviewed the state of issue for all claims on the closed block of business under examination and paid additional interest on three claims.

Recommendation 5**Pages 21, 22 & 23**

The examiners recommend that the Company go back as far as the Vermont Department deems appropriate and perform an audit of individual life claims in order to ensure that the statutorily required rate of 6% interest was afforded to each of the beneficiaries.

Response to recommendation 5:

The Company has reviewed its Vermont individual life claims back through 1998 and identified one affected claim where the interest was paid at lower than 6%. Payment of the additional interest to the beneficiary has been made.