

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Jackson National Life Insurance Company

NAIC # 65056
1 Corporate Way
Lansing, MI 48951

As of

June 30, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



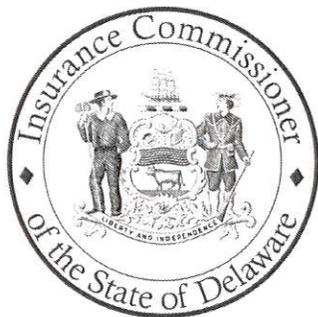
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of June 30, 2011 on

Jackson National Life Insurance Company

is a true and correct copy of the document filed with this Department.

Attest By: *Laurel J. Naigwa*



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Jackson National Life Insurance Company
AS OF
June 30, 2011

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 11.ANN.4, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

Jackson National Insurance Company

The examination was performed as of June 30, 2011, Jackson National Life Insurance Company, hereinafter referred to as the "Company" or as "Jackson National," was incorporated under the laws of Delaware. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

1 Corporate Way
Lansing, MI 48951

The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

Jackson National Insurance Company (the "Company") incorporated in Lansing, MI on April 1961 and received its certificate of authority on May 10, 1961. The Company's main administrative offices are located in Michigan.

On their 2010 annual statement filed with the Department, the Jackson National Life Insurance Company reported Delaware direct premium of \$51,541,082 of which all were direct annuity considerations, the subject of the examination.

The examination was announced as part of an examination series of companies in the Delaware annuity marketplace. The examination focused on the Company's annuity business in the following areas of operation: Company Operations and Management; Complaint Handling, Marketing and Sales, Producer Licensing, and Underwriting and Rating. This effort was conducted to ensure compliance with 18 Del. Admin. Code 1214 Senior Protection in Annuity Transactions, 18 Del. Admin. Code 1204 Replacements and 18 Del. C. §1716 Notification to Insurance Commissioner of termination.

The following exceptions were noted in the areas of operation reviewed:

- Producer Licensing - 2 Exceptions- 18 Del. CODE. §1716. Notification to Insurance Commissioner of Termination.
 - For failure to ensure its procedures are such that producers terminated by the Company are reported to Department in accordance with statutory requirements.
- Producer Licensing - 1 Exception – 18 Del. CODE §1715. Appointments
 - For acceptance of business solicited or written by a producer not properly appointed by the Company.
- Underwriting and Rating - Issued Annuities – Non-Replacements: 17 Exceptions – 18 Del. Admin. Code 1204 §5.1. Replacement of Life Insurance
 - For acceptance of applications without obtaining the required producer response to the replacement question.
- Underwriting and Rating - Issued Annuities – Replacements: 7 Exceptions - 18 Del. Admin. Code 1204 §5.1. Replacement of Life Insurance
 - For acceptance of applications without obtaining the required producer response to the replacement question.
- Underwriting and Rating - Issued Annuities – Replacements: 7 Exceptions - 18 Del. Admin. Code 1204 §5.2. Replacement of Life Insurance
 - For acceptance of replacement forms dated after the application date.

- Underwriting and Rating - Issued Annuities – Replacements: 8 Exceptions - 18 Del. Admin. Code 1204 §7.1. Replacement of Life Insurance
 - For failure to provide written communication advising of the replacement to the existing insurer within statutory requirements.

Finally, the following concern was noted:

48 surrender files did not provide an explanation to the client regarding charges or fees that were associated with a surrender payment. The process of not providing full disclosure of all fees associated with surrender may not violate a statute, law, or regulation, but can be viewed as an unfavorable business act.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §318-322 and covered the experience period of January 1, 2010 through June 30, 2011. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations related to the annuity market place.

The examination was a target market conduct examination of the Company's annuity business in the following areas of operation: Company Operations and Management; Complaint Handling, Marketing and Sales, Producer Licensing, and Underwriting and Rating.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company.

The Company identified the universe of files for each segment of the review. Based on the universe sizes, random sampling was utilized to select the files reviewed during this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

Jackson National Life Insurance Company, a stock company, was founded in April 1961. The Company is headquartered in Lansing, Michigan, and received its certificate of authority on May 10, 1961. Jackson National was acquired by Prudential Corporation PLC of London, England, an international financial services corporation (not affiliation with the Prudential of America Group) in 1986. The Company is currently licensed to do business in 49 states and the District of Columbia.

In 1998, Jackson National formed Jackson National Life Distributors for the purpose of sales and distribution of annuity products. In 2000, the Company acquired SII Investments, an independent broker/dealer, and INVESTS Financial. Jackson National specializes in the sale of fixed annuities, including equity-indexed annuities, variable annuities, life insurance and guaranteed investment contracts. The Company distributes its products through financial services, which include independent agents and agencies, independent broker/dealers and banks and other financial institutions.

The Company's annual statement for 2010 detailed a total of \$16.95 billion in premiums. The Delaware state page detailed 2010 premiums \$51,541,082 of which all was direct annuity considerations.

COMPANY OPERATIONS AND MANAGEMENT

Internal Audit

The Company provided copies of their internal audit and compliance procedures. The internal audits and procedures were reviewed. The Company was able to demonstrate acceptable reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings. Additionally the lines of communication, control and responsibility are in place to address any potentially significant issues.

No exceptions were noted.

Policy Forms

Contracts, Applications, Buyers Guides and Disclosure forms were reviewed within the

Company Groups for replacement and non-replacement annuity contract file review. Annuity contracts marketed in Delaware were also reviewed with the replacement and non-replacement annuity contract file review. The forms, contracts and documentation were reviewed to ensure compliance with 18 Del. CODE §2712, Filing, approval of forms. Exceptions noted are in the respective file review sections of the report.

CONSUMER COMPLAINTS

The Company identified one consumer complaint during the experience period. This complaint file was reviewed along with the complaint log.

The complaint file and the complaint log were reviewed for compliance with 18 Del. CODE, §2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received since the date of its last examination. The record is to indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition and the time it took to process each. Written complaint files involving claims were also reviewed for compliance with 18 Del. Admin. Code 902 §1.2.1.2.

No exceptions were noted.

PRODUCER LICENSING

The Company provided a list of all producers terminated for cause for all jurisdictions for calendar years 2010 and 2011. In addition, the Company provided termination policies and procedures.

The policies and procedures were received and reviewed. The Company provided a list of 149 terminated producers of which two were appointed in the state of Delaware. The two producers were compared to departmental records of producers to verify appointments, terminations and licensing.

The following exceptions were noted:

2 Exceptions- 18 Del. CODE §1716. Notification to Insurance Commissioner of termination.

(a) Termination for cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment, contract or other insurance business relationship with a producer shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner, if the reason for termination is 1 of the reasons set forth in § 1712 of this title or the insurer has knowledge the producer was found by a court,

government body or self-regulatory organization authorized by law to have engaged in any of the activities in § 1712 of this title. Upon the written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination or activity of the producer.

A review of producers indicated that the two producers were terminated for cause (uncollectable debts) by the Company but not reported as terminated to the Department as the Department records indicated an "active" status.

Recommendation: It is recommended that Company ensure it provides for the notification of the Delaware Department of Insurance of producer terminations for cause to comply with 18 Del. CODE §1716.

MARKETING AND SALES

The Company was requested to provide a list of all advertising and marketing material available for use during the experience period. The Company provided a list of 2,076 pieces of Company generated annuity marketing materials used during the experience period. The advertising and marketing materials consisted of: fact sheets, web pages, inserts, brochures, ad slicks, buck slips, multi-media and power point presentations, posters, and flyers. A sample of 50 Company generated advertising and marketing material items were selected. Additionally, the Company provided a listing of 211 producer generated advertising and marketing items. A sample of 25 producer generated items was selected. The Company provided each of the items and they were reviewed for compliance with applicable statutes and regulations.

No exceptions were noted.

UNDERWRITING AND RATING

A) Issued Annuities – Non-Replacements

The Company identified a universe of 751 annuities issued of which 375 consisted of individuals 65 years and older. Of the 375 individuals that were 65 years and over, 228 were identified as non-replacements during the experience period. A random sampling of 109 non-replacement annuity contracts issued to individuals 65 years and older was requested, received and reviewed. Of the 109 annuity contracts reviewed, 59 were Variable Annuities, 22 were Fixed and 28 were Fixed Index or Immediate Annuities.

The following exceptions were noted:

17 Exceptions - 18 Del. Admin. Code 1204 §5.1 Replacement of Life Insurance

Each agent or broker who initiates the application shall, on the request of the prospective purchaser, furnish the Buyers Guide as described by Regulation 29 and shall submit to the insurer to which an application for life insurance or annuity is presented, with or as a part of each application:

5.1.2 a signed statement as to whether the agent or broker knows replacement is or may be involved in the transaction.

The agent's question regarding replacement was not completed on 17 applications.

Recommendation: It is recommended that the Company ensure all replacement related questions are answered in accordance with 18 Del. Admin. Code 1204 §5.1.2.

B) Issued Annuities – Replacements

The Company identified a universe of 751 annuities issued of which 375 consisted of individuals 65 years and older. Of the 375 individuals that were 65 years and over, 145 were identified as replacements during the experience period. A random sampling of 109 replacement annuity contracts issued to individuals 65 years and older was requested, received and reviewed. . Of the 109 files reviewed, the sample was reduced to 108 files as a result of inadvertent application duplication. The 108 annuity contracts reviewed consisted of 87 Variable Annuities, 7 Fixed and 14 Fixed Index or Immediate Annuities.

The following exceptions were noted:

1 Exception – 18 Del. CODE §1715. Appointments

An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to be appointed.

The annuity was solicited by an agent who was not appointed by the Company.

Recommendation: It is recommended that the Company ensure that all agents that solicit and write business are properly appointed, as required by 18 Del. CODE. §1715.

7 Exceptions - 18 Del. Admin. Code 1204 §5.1 Replacement of Life Insurance

Each agent or broker who initiates the application shall, on the request of the prospective purchaser, furnish the Buyers Guide as described by Regulation 29 and shall submit to the insurer to which an application for life insurance or annuity is presented, with or as a part of each application:

5.1.2 a signed statement as to whether the agent or broker knows replacement is or may be involved in the transaction.

The agent's question on replacement was not completed in 7 applications reviewed.

Recommendation: It is recommended that the Company ensure all replacement related questions are answered in accordance with 18 Del. Admin. Code 1204 §5.1.

7 Exceptions - 18 Del. Admin. Code 1204 §5.2 Replacement of Life Insurance

Where replacement is involved, the agent or broker shall:

5.2.1 Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant.

The replacement form was dated after the application date for 7 files reviewed.

Recommendation: It is recommended that the Company ensure replacement forms are signed at the time of application in accordance with 18 Del. Admin. Code 1204 §5.2.

8 Exceptions - 18 Del. Admin. Code 1204 §7.1. Replacement of Life Insurance

Each insurer that uses an agent of broker in a life insurance or annuity sale shall:

7.1.2 Where a replacement is involved:

7.1.2.2 Send to each existing insurer a written communication advising of the replacement or proposed replacement of the policy. The communication should include the information obtained pursuant to section 7.1.2.1 above and a Summary or Ledger Statement describing the proposed new policy. This written communication shall be made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity contract is issued, whichever is sooner.

The written communication advising of the replacement to the existing insurer was not provided as required or was beyond 7 working days for 8 files reviewed. Two of the files were beyond the 7 working days and 6 applications were not dated so a timeframe for sending communication could not be established.

Recommendation: It is recommended that the Company ensure notification to existing insurers of a pending replacement in compliance 18 Del. Admin. Code 1204 §7.1.

C) Terminated/Cancelled Annuities

The Company was provided a list of all annuities terminated during the experience period. The Company identified a universe of 66 annuities terminated. All 66 files were reviewed. The files were reviewed to ensure that terminations were not the result of any discriminatory underwriting practice. The files terminated due to death were reviewed for compliance with 18 Del. Admin. Code 902. The following violations were noted.

There were no exceptions noted.

D) Not Taken Annuities

The Company was requested to provide a list of annuities not taken during the experience period. The Company identified a universe of 6 Annuities not taken. All 6 annuity files were reviewed. Annuity not-taken files were reviewed to ensure compliance with the free-look provisions of the contract.

There were no exceptions noted.

E) Surrendered Annuities

The Company identified a universe of 198 annuities surrendered during the experience period. A random sampling of 109 surrendered annuity contracts was requested, received and reviewed. Annuity contracts surrendered were reviewed to determine compliance with surrendered statutes and regulations. Of the 109 annuity contracts reviewed, one was reported as surrendered but was actually annuitized; two were terminated prior to their first anniversary.

There were no exceptions noted.

Area of Concern:

48 Findings regarding disclosure of surrender charges –

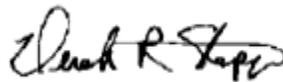
48 surrender files did not provide an explanation to the client regarding charges or fees that were associated with a surrender payment. The process of not providing full disclosure of all fees associated with surrender may not violate a statute, law, or regulation, but can be viewed as an unfavorable business act.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that Company ensure it provides for the notification of the Delaware Department of Insurance of producer terminations. (Producer Licensing)
2. It is recommended that the Company ensure all replacement related questions are answered. (Underwriting and Rating - Issued Annuities – Non-Replacement)
3. It is recommended that the Company ensure that all agents that solicit and write business are properly appointed. (Underwriting and Rating - Issued Annuities – Replacement)
4. It is recommended that the Company ensure all replacement related questions are answered. (Underwriting and Rating - Issued Annuities – Replacement)
5. It is recommended that the Company ensure all replacement forms are signed at the time of application. (Underwriting and Rating - Issued Annuities – Replacement)
6. It is recommended that the Company ensure notification to existing insurers of a pending replacement. (Underwriting and Rating - Issued Annuities – Replacement)

The examination conducted by Shelly Schuman, Derek Stepp, Gwendolyn Douglas, John Rucidlo, and Candace Walker is respectfully submitted.



Derek Stepp, CIE, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance