

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

JACKSON NATIONAL LIFE INSURANCE COMPANY
ONE CORPORATE WAY
LANSING MI 48951

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Iain D. Johnston, Andrew R. Greene, Philip Ackerman, Erika Kruse, and Gabriela D'Adamo at Johnston Greene LLC as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of Jackson National Life Insurance Company, NAIC # 65056, (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge Max R. Weaver, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 26th day of September, 2012.

Andrew Boron

Andrew Boron

Director



IN THE MATTER OF THE EXAMINATION OF

JACKSON NATIONAL LIFE INSURANCE COMPANY
5901 EXECUTIVE DRIVE
LANSING, MI 48911

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Max Weaver and associates as the proper persons to examine the insurance business and affairs of Jackson National Life Insurance Company, NAIC # 65056, and to make a full and true report to me of the examination made by them of Jackson National Life Insurance Company, with a full statement of the condition and operation of the business and affairs of Jackson National Life Insurance Company with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Jackson National Life Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 24th day of August, 2011.



Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with BART VITOU, at the hour of 245 PM
on 10/10, A.D., 2011.



Examiner

JACKSON NATIONAL LIFE INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: October 17, 2011 through February 29, 2012

EXAMINATION OF: Jackson National Life Insurance Company
NAIC #65056

COMPANY ADDRESS: One Corporate Way
Lansing, Michigan 48951

**PERIOD COVERED
BY EXAMINATION:** Claims review covered the period
July 1, 2010 through July 1, 2011
Complaint review covered the period
June 1, 2007 through August 31, 2011

EXAMINER: Max R. Weaver
Examiner in Charge

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I. SUMMARY

- 1. The Company was initially criticized under 215 ILCS 5/224(1)(I) for failure to pay, on nine (9) claims, the proper amount of interest to insured's beneficiary(ies) as a result of delayed claim payment as required. The Department of Insurance ("Department") has subsequently taken the position that interest payments on return of premiums are not subject to interest payment requirements in 215 ILCS 5/224(1)(I). This criticism has, therefore, been voided.**

- 2. The Company previously implemented procedures to include one (1) additional day of interest because claim checks are processed at night and placed in the next business days' mail. Although none of the paid life claims involved checks processed on Friday evenings, it was revealed during this examination that checks printed on Friday evenings include only one (1) additional day of interest. No provisions, however, were in place to include the additional interest until the next business day. No formal criticism was made as the Company agreed to institute procedures to include the appropriate additional interest in those situations where payment of benefits is not made within fifteen (15) days of due proof of loss (note: payment within fifteen (15) days was the statutory requirement at the time of the Market Conduct Examination. The statute has since been amended to payment within 31 days).**

II. BACKGROUND

Jackson National Life Insurance Company (the "Company") first started business in Jackson, Michigan in 1961. By 1976, the states of California, Washington, Montana, New Mexico, Nebraska, Kansas, Missouri, Indiana and Alabama were included in its operating territory. It was one of the first companies in the U.S. to promote the virtues of term insurance, and in 1975, it had developed an early form of "universal" life insurance, eight years before any competitor offered a similar type of protection.

The Company is now licensed and markets its products in the District of Columbia and all states except New York through independent and regional broker-dealers, financial institutions, independent insurance agents, and registered investment advisers. Jackson's subsidiary, Jackson National Life Insurance Company of New York, similarly markets products in the State of New York.

The Company is a wholly owned indirect subsidiary of Prudential plc. Prudential plc is a leading international financial services company based in the United Kingdom with some 19 million customers, policyholders and unit holders and over 23,000 employees worldwide.

Since the mid-1990's, Jackson has successfully focused on diversification of products and distribution channels. In 1995, Jackson launched its first variable annuity and began selling guaranteed investment contracts and funding agreements through the Company's Institutional Products Department. In 1996, Jackson introduced its first fixed index annuity and, by 1999, topped U. S. companies in FIA sales. In 2002, Jackson launched Perspective II (VA250), an innovative, modular variable annuity that allows customers to choose and pay for only those features that they desire. Since 1994, sales through brokers and banks have been steadily increasing, further diversifying Jackson's distribution channels. In March 2003, the Company entered the registered investment advisor channel with the launch of Curian Capital LLC. In 2005, Jackson acquired Life Insurance Company of Georgia.

The Company was licensed to do business in Illinois on December 30, 1964.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The following categories are the general areas examined.

1. Producer Licensing and Production Analysis
2. Claims Analysis
3. Non-forfeiture Analysis
4. Policy Forms and Advertising Materials Review
5. Department and Consumer Complaints

The review of these categories was accomplished through examination of producer files, claim files, cash surrendered policy files, policy forms and advertising materials, and Department and consumer complaint files. Each of these categories was examined for compliance with Department rules and regulations and applicable State laws. The Market Conduct Examination did not examine:

- a. The Company's use of the Social Security Death Master File in connection with the Company's settlement practices, procedures and policy administration relating to claims, including the Company's efforts to identify the owners and Beneficiaries of proceeds, or
- b. Compliance with the Uniform Disposition of Unclaimed Property Act, 765 ILCS 1025/1, *et seq.*

The report concerns itself with improper practices performed with such frequency as to indicate general practices. Individual criticisms were identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples and to assure a methodical selection.

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records by selecting newly solicited insurance applications that reflected Illinois addresses for applicants.

The examination period for the producer analysis was July 1, 2010 through June 30, 2011.

Non-Forfeiture Analysis

Listings were requested of all life and annuity policies that were cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the examination period. These listings were retrieved by a search of Illinois life policies that were either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

The examination period for the Non-Forfeiture Analysis was July 1, 2010 through June 30, 2011.

Claims

1. Paid Claims - Payment for claims made during the examination period.
2. Denied Claims - Denial of benefits for losses not covered by policy provisions during the examination period.

All claims were reviewed for compliance with policy contracts and endorsements and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Title 50 of the Illinois Administrative Code.

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment to the insured or the beneficiary. The examination period of the claims survey was July 1, 2010 through June 30, 2011.

Policy Forms and Advertising Material Review

All policy forms, form letters, riders and advertising materials used in Illinois during the examination period were requested. These were reviewed for compliance as to format, content and terminology as required by Illinois law.

The examination period for the Policy Forms and Advertising Material Review was July 1, 2010 through June 30, 2011.

Department and Consumer Complaints

The Company was requested to provide all files relating to complaints received via the Department as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification by the complainant to the date of response to the Department.

The examination period of this survey was July 1, 2007 through August 31, 2011.

IV. FINDINGS

A. Producer Analysis

1. Producer Licensing

A review of the producers and applications resulted in no criticisms.

2. Terminated Producers

A review of terminated producers revealed that there were no producers terminated for cause during the survey period.

B. Non-forfeiture Analysis

1. Life Cash Surrender

A review of 120 of 584 Life Cash Surrender files resulted in no criticisms.

The median for payment was eleven (11) days.

2. Extended Term Reduced Paid-Up

A review of all 51 Extended Term and Reduced Paid-Up files resulted in no criticisms.

3. Annuity Cash Surrender

A review of 120 of 3,882 Annuity Cash Surrender files resulted in no criticisms.

The median for payment was four (4) days.

C. Claims Analysis

1. Paid Individual Life

A review of 120 of 397 Paid Individual Life claim files originally produced nine (9) individual criticisms. The individual criticisms were written under 215 ILCS 5/224(1)(I) for interest under-payments in the amount of \$2,675.30 on benefits not paid within fifteen (15) days of proof of loss. The Department has subsequently taken the position that interest payments on return of premiums are not subject to interest payment requirements in 215 ILCS 5/224(1)(I). This criticism has, therefore, been voided.

The median for payment was eight (8) days.

2. Paid Industrial Life

A review of all five (5) Paid Industrial Life claim files produced no criticisms.

The medium for payment was three (3) days.

3. Paid Individual Annuity Death Settlements

A review of 105 of 221 Paid Individual Annuity Death Settlement claim files produced no criticisms.

The median for payment was eight (8) days.

D. Policy Forms and Advertising Materials

A review of the policy forms and advertising materials used during the survey period produced no criticisms.

E. Policy Replacements

1. Annuity Policy Replacements

A review of 120 of 3,004 Annuity Policy Replacement files resulted in no criticisms.

2. Life Policy Replacements

A review of 72 of 110 Life Policy Replacement files resulted in no criticisms.

F. Complaint Analysis

1. Department Complaints

A review of all 41 Department Complaints resulted in no criticisms.

The median for response was ten (10) days.

2. Consumer Complaints

A review of 105 of 221 Consumer Complaints produced no criticisms.

The median for response was eight (8) days.

V. INTERRELATED FINDINGS

The Company procedures for issuing life benefit checks involves the checks being printed at night and placed in the next business days' mail. During a conversation with the Company regarding benefit payments, it was determined that although the procedure is to add one (1) additional day of interest to benefits paid, no provision was in place for adding the appropriate additional interest when benefit checks are processed on Friday nights and mailed on the next business day. None of the 120 claim files reviewed involved a benefit processed on a Friday night. No formal written criticism was made based upon the Company agreeing to provide written procedures, prior to the termination of the examination, for instituting and maintaining payment of additional interest on benefits for all life claims not paid within fifteen (15) days of proof of loss (note: payment within fifteen (15) days was the statutory requirement at the time of the Market Conduct Examination. 215 ILCS 5/224(1)(I) has since been amended to payment within 31 days).

VI. TECHNICAL APPENDICES

None

STATE OF)
) ss
COUNTY OF)

Jackson National Life Insurance Company, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Jackson National Life Insurance Company, NAIC #65056;

That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

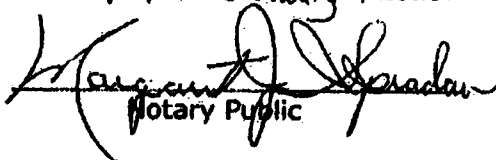
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

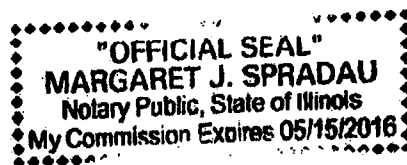
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.


Max R. Weaver
Examiner-In-Charge

Subscribed and sworn to before me
this 27 day of January, 2013.


Notary Public





Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

January 31, 2013

Michael A. Wells, CEO
Jackson National Life Insurance Company
One Corporate Way
Lansing, Michigan 48951

*sent via USPS certified mail
return receipt requested*

Re: Market Conduct Examination Report

Dear Mr. Wells:

A Market Conduct Examination of your company was conducted by an authorized examiner designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The examination covered the period July 1, 2010 through July 1, 2011 for claims and June 1, 2007 through August 31, 2011 for complaints.

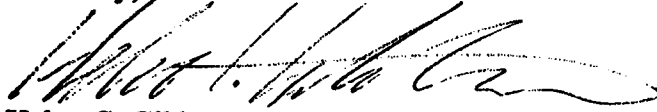
As required by Illinois Insurance Code Section 132, the Director must notify the company made the subject of any market conduct examination of the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained. A copy of the examination report is accordingly enclosed with this letter as well as a Stipulation and Consent Agreement. The company may request a hearing within 10 days after receipt of the examination report by giving the Director written notice of the request, together with a statement of its objections. The examination report will generally not be filed until hearing is completed.

Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the examination report. The rebuttal will be considered by the Director before the examination report is filed. Please provide any rebuttals, or the signed Stipulation and Consent Agreement, to the undersigned by close of business on February 22, 2013. In the event that the company elects to sign the Stipulation and Consent Agreement, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. As detailed in the Stipulation and Consent Agreement, once a fully executed copy is returned to you for your records, the company must submit proof of compliance with the Director's orders fifteen (15) days thereafter.

Once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website.

Please contact me if you have any questions. I may be reached at 312-814-2435.

Sincerely,



Helen C. Gibbons
Staff Attorney

Cc: Bart Vitou, General Counsel
Jackson National Life Insurance Company
One Corporate Way
Lansing, Michigan 48951

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

**Helen C. Gibbons
Staff Attorney**

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Jackson National Life Insurance Company
One Corporate Way
Lansing, Michigan 48951

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (the "Director") of the Illinois Department of Insurance (the "Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Jackson National Life Insurance Company (the "Company") is authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination ("Examination") of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Examination (the "Report"); and

WHEREAS, the Report cited one area in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the Examination and Report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the Report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order;

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

- 1. That although no formal criticism was made, the Examination indicated one area in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and**
- 2. That the Director and the Company consent to this order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.**

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

- 1. Institute and maintain procedures to comply with 215 ILCS 5/224(1)(1) of the Illinois Insurance Code by ensuring that checks processed on Friday nights and mailed the next business day (typically Monday) shall include the appropriate amount of interest for the additional days.**
- 2. Submit to the Director proof of compliance with the Order within fifteen (15) days of the execution of this Order.**

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Jackson National Life Insurance Company:

Anthony L. Dowling
Signature

Anthony L. Dowling
Name

Assistant Vice President and Associate General Counsel
Title

Subscribed and sworn to before me this
13th day of February A.D. 2013.

Christopher T. Eveleth
Notary Public

CHRISTOPHER T. EVELETH
NOTARY PUBLIC - STATE OF MICHIGAN
COUNTY OF SHAWASSEE
MY COMMISSION EXPIRES SEPT. 15, 2018
ACTING IN THE COUNTY OF Jackson

DATE 2/19/13

DEPARTMENT OF INSURANCE of the
State of Illinois;

Andrew Boron

Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

April 19, 2013

Bart Vitou
Associate General Counsel, Compliance
Jackson National Life Insurance Company
One Corporate Way
Lansing, Michigan 48951

*sent via USPS certified mail
return receipt requested*

Re: Market Conduct Examination Report

Dear Mr. Vitou:

Please be advised that the Department has reviewed the proof of compliance contained in your March 11, 2013 correspondence. The proof of compliance submitted on behalf of Jackson National Life Insurance Company is sufficient.

Accordingly, the Department is closing its files on this exam. As mentioned in my previous correspondence, this exam will be made public by posting on the Department's website as authorized by 215 ILCS 5/132.

Please contact me if you have any questions. I may be reached at 312-814-2435.

Sincerely,

Helen C. Gibbons
Staff Attorney