

OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

Jackson National Life Insurance Company

NAIC #65056

As Of

December 31, 2004





Bob Taft, Governor
Ann Womer Benjamin, Director

2100 Stella Court, Columbus, OH 43215-1067
(614) 644-2658 www.ohioinsurance.gov

Honorable Ann Womer Benjamin
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a Market Regulation desk examination was conducted on the Ohio business of:

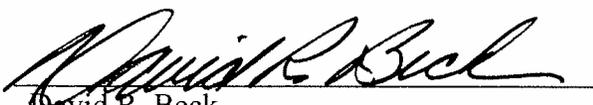
Jackson National Life Insurance Company
NAIC Company Code 65056.

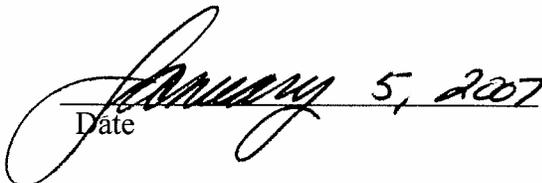
The examination was conducted at the Ohio Department of Insurance office located at:

2100 Stella Court
Columbus OH 43215.

A report of the examination is enclosed.

Respectfully submitted,


David R. Beck
Chief, Market Regulation Division


Date



Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIIP Hotline: 1-800-686-1578

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FOREWORD

This examination was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

SCOPE OF EXAMINATION

On September 26, 2005, the Market Conduct Division, Ohio Department of Insurance (“the Department”), opened an examination of Jackson National Life Insurance Company (the “Company”), by sending a call letter and initial request for information.

The examination was restricted to Company replacement activities for individual life insurance from the period of January 1, 2003 through December 31, 2004. This examination report is a report by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the State of Ohio’s applicable statutes and rules.

Accordingly, the examination included the following areas of the Company’s operations:

- A. Company History
- B. Company Operations
- C. Certificate of Authority
- D. External Replacement Policies
- E. Internal Replacement Policies
- F. Unreported Replacement Policies
- G. Complaint Handling

METHODOLOGY

As part of the examination, the Department’s examiners reviewed the Company’s individual ordinary life insurance policy files and the Company’s corresponding procedures. This information was supplemented, as necessary, with written inquiries to the Company requesting clarification and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s applicable statutes and rules. These tests are described and the results are noted in this report.

The Examiners used the National Association of Insurance Commissioners’ (NAIC) standard of:

10% error ratio on policy files (90% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a “yes / no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings,
- Had additional information for the examiners to consider, and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the Company's responses and the examiners' recommendations are included in this report.

SAMPLING

Upon request, the Company supplied reports of new policy and replacement policy data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were pulled from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample since it supplies a random starting point from which to select the sample.

COMPANY HISTORY

Jackson National Life (JNL) is named after Andrew Jackson, the seventh president of the United States, and a hero of Tony Pasant, the founder of the company.

JNL 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. Over the past 30 years, JNL has grown to a national organization covering 49 states and the District of Columbia (and the State of New York through its subsidiary, Jackson National Life Insurance Company of New York).

JNL was one of the first companies in the US 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.

Since the 1990s, JNL has successfully focused on diversification of products and distribution channels. In 1995, JNL launched its first variable annuity and begun selling guaranteed investment contracts and funding agreements through the company's Institutional Products Department. In 1996, Jackson National introduced its first fixed indexed annuity and, by 1999, topped U.S. companies in FIA sales. Additionally, the Company routinely receives an A+ rating by A.M. Best.

COMPANY OPERATIONS

Lansing, Michigan is the location of the Company's statutory home office as well as the primary location of all books, records, and policyholder relation representatives. The Company's 2003 and 2004 reported direct premiums written and direct incurred losses paid during the examination period are as follows:

| Life | Ohio | | National | |
|------|-------------------------|-----------------|-------------------------|-----------------|
| Year | Direct Written Premiums | Incurred Losses | Direct Written Premiums | Incurred Losses |
| 2003 | \$18,951,619 | \$14,366,023 | \$519,950,642 | \$434,706,059 |
| 2004 | \$17,970,409 | \$14,200,149 | \$518,615,225 | \$437,569,803 |

As of December 31, 2004, the officers of the Company were:

| | |
|------------|---------------------------|
| President: | Clark Preston Manning Jr. |
| Secretary: | Thomas John Meyer |
| Treasurer: | Andrew Boutwell Hopping |
| Actuary | Richard David Ash |

CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the examination, the examiners determined that the Company operations were in compliance with its Certificate of Authority.

EXTERNAL LIFE REPLACEMENTS

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-06-05?

Methodology:

- The examiners reviewed all written policies and procedures that instructed the agents on the Company's replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing external replacement policies by policy type.
 1. A sample of 50 term life replacement policies from the population of 182 was reviewed.

2. The entire population of 18 universal life replacement policies from the replacement register was reviewed.
 3. The entire population of one variable universal life replacement policy listed on the replacement register was reviewed.
- The examiners considered any file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

Findings: External Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 45 | 5 | 90% | 90% |
| Universal Life | 18 | 18 | 13 | 5 | 90% | 72% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Examiner’s Recommendation: The Company needs to develop procedures to ensure that the selling agent presents the “Notice Regarding Replacement” to the applicant at the time of application.

Test 4: Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 49 | 1 | 90% | 98% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 5: Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 47 | 3 | 90% | 94% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 6: Did the agent submit a completed application to the replacing company? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 49 | 1 | 90% | 98% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Findings: External Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-06-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the company requirement section of the replacement law tested.

Test 1: Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 4: Did the Company require from the agent, with the application, a signed copy of the “Notice Regarding Replacement”? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 49 | 1 | 90% | 98% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 5: Did the Company maintain evidence in the file of the “Notice Regarding Replacement,” the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 49 | 1 | 90% | 98% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 50 | 0 | 90% | 100% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Test 7: Did the Company send a written communication to the existing insurer advising of the replacement within three working days of receipt of the application? Ohio Adm.Code 3901-6-05(G)(2)(b)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 42 | 8 | 90% | 84% |
| Universal Life | 18 | 18 | 17 | 1 | 90% | 94% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

Examiner’s Recommendation: The Company needs to develop procedures and have controls in place to assure the company being replaced is notified of the replacement within three working days from the receipt of the application.

Test 8: Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm.Code 3901-6-05(G)(2)(b)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------------------|-------------|---------|------|-----|-----------|-----------|
| Term Life | 182 | 50 | 49 | 1 | 90% | 98% |
| Universal Life | 18 | 18 | 18 | 0 | 90% | 100% |
| Variable Universal Life | 1 | 1 | 1 | 0 | 90% | 100% |

INTERNAL LIFE REPLACEMENTS

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

Methodology:

- The Examiners reviewed all written policies and procedures that instructed the agents on the Company’s replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing internal replacement policies by policy type.
- A sample of 50 term life replacement policies from the population of 172 was reviewed.
- The examiners considered a file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

Findings: Internal Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 43 | 7 | 90% | 86% |

Examiner’s Recommendation: The Company needs to develop procedures to ensure that the selling agent presents the “Notice Regarding Replacement” to the applicant at the time of application.

Test 4: Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 47 | 3 | 90% | 94% |

Test 5: Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 45 | 5 | 90% | 90% |

Examiner’s Recommendation: The Company needs to develop procedures to ensure that both the applicant and the agent sign the “Notice Regarding Replacement.”

Test 6: Did the agent submit a completed application to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 48 | 2 | 90% | 98% |

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Findings: Internal Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-06-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the company requirement section of the replacement law tested.

Test 1: Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 4: Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement?" Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 5: Did the Company maintain evidence in the file of the "Notice Regarding Replacement", the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|-------------|---------|------|-----|-----------|-----------|
| 172 | 50 | 50 | 0 | 90% | 100% |

UNREPORTED INDIVIDUAL LIFE REPLACEMENTS

Standard: Company rules pertaining to requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company’s practices of handling new business applications properly identify policies that were replacing other existing policies according to Ohio Adm.Code 3901-6-05(G)(3)?

Methodology:

- The Examiners reviewed all of the Company’s written policies and procedures that offered instruction on the handling of new business applications.
- The Company supplied a report of all internal and external replacement files between January 1, 2003 and December 31, 2004.
- The Company supplied its replacement register for business replaced in Ohio during the examination period.
- The list of new business policies marked as a replacement by the Company was compared to the Company’s replacement register.
- A total of 56 policies were found to be marked as a “replacement” in the new business file but were not listed on the replacement register. Each of these policies was reviewed to determine if a replacement actually occurred.
- The examiners considered a file to be an exception if an existing insurance policy was replaced with a Jackson National Life Insurance Company policy and was not listed on the Company’s replacement register.

Findings: Unreported Individual Life Replacement

The review of these 56 files indicates that 16 files did not involve a replacement of existing life insurance, five files were found to be on the Company’s replacement register, and one file involved a conversion application. From the remaining 34 files, 21 files were found to replace in force policies with external companies, and 13 files involved replacing existing policies with Jackson National Life Insurance Company.

Examiner’s Recommendation: The Company needs to develop procedures to ensure that every new business policy that replaces any individual life insurance policy must be included within

the Company's replacement register and processed in accordance with Ohio Adm.Code 3901-6-05(G)(3).

ADDITIONAL EXAMINATION FINDINGS

The examiners conducted a review of the Company's complaints and complaint handling procedures. The review was conducted to identify any problem areas or negative trends in service. The company received a total of 25 complaints pertaining to individual life insurance from Ohio policyholders during the examination period. Specifically, 12 of the individual life insurance complaints involved unsatisfactory service including delayed response time and billing errors. Secondary to service related complaints, seven consumers complained about payment related issues including increased premiums and disputed interest payments on paid death claims. The remaining complaints involved reinstatement issues and alleged agent misconduct.

Even though the numbers of complaints does not raise a concern, the complaints do provide some indications that could be addressed by the Company to better serve Ohio consumers. The examiners recommend that the Company review their consumer service procedures to ensure that responses to consumer questions are timely and offer clear and concise explanations of policy performance, and that product recommendations are consistent with the insurance and financial goals of the consumer. Improvements in these areas may help to alleviate questions and misunderstandings.

SUMMARY

The examination found the Company to be out of compliance in the following areas:

| <u>Areas of Review:</u> | <u>Compliance Standard</u> | <u>Compliance Rate</u> |
|-----------------------------------------------------------------|-----------------------------------|-------------------------------|
| External Term Life Insurance - Company Requirements | | |
| Written communication sent to existing insurer in 3 days | 90% | 84% |
| External Universal Life Insurance – Agent Requirements | | |
| “Notice Regarding Replacement” presented at time of application | 90% | 72% |
| Internal Term Life Insurance – Company Requirements | | |
| “Notice Regarding Replacement” presented at time of application | 90% | 86% |

This concludes the report of the Market Regulation Examination of the Jackson National Life Insurance Company. The Examiners, John Pollock and Robert Stroup, would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

John E. Pollock
Examiner in Charge

Date

APPENDIX – Company Response / Comments

Julia A. Goatley
Assistant Vice President - Compliance
Associate General Counsel

RECEIVED
MAY 31 2006
OHIO DEPT. OF INSURANCE
MARKET CONDUCT DIVISION

Jackson National Life Insurance Company
Insuring your financial future.®



May 30, 2006

Rodney Beetch
Insurance Compliance Supervisor
Ohio Department of Insurance
Market Conduct Division
2100 Stella Court
Columbus, Ohio 43215-1067

Re: Market Conduct examination of Jackson National Life Insurance Company

Dear Mr. Beetch,

This is Jackson National Life Insurance Company's response to the draft market conduct examination report sent to the Company's attention on May 5, 2006. This response is limited to the Department's findings showing the Company to be not compliant. The Company agrees with the Departments' findings for the items indicating the Company to be compliant.

EXTERNAL LIFE REPLACEMENTS

External Replacement Agent Requirements

Test: Did the agent present to the applicant a "Notice Regarding Replacement" at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|----------------|-------------|---------|------|-----|-----------|-----------|
| Universal Life | 18 | 18 | 13 | 5 | 90% | 72% |

Examiner's Recommendation: The Company needs to develop procedures to ensure that the selling agent presents the "Notice Regarding Replacement" to the applicant at the time of application.

Company Response: The Company has procedures that require the replacement notice, prescribed by O.A.C. §3901-6-05, subsection (E)(2)(a), be submitted and fully completed with each policy or contract application for replacement. The findings noted above were

1 Corporate Way
Lansing, MI 48951
e-mail: julia.goatley@jnli.com
517/367-4370
517/706-5517 (fax)

the result of personnel error and do not reflect the Company's policies and procedures, which have been provided to the Department.

External Replacement Company Requirements

Test: Did the Company send a written communication to the existing insurer advising of the replacement within three working days of receipt of the application? Ohio Adm.Code 3901-6-05(G)(2)(b)

| Policy Type: | Population: | Sample: | Yes: | No: | Standard: | Findings: |
|---------------------|--------------------|----------------|-------------|------------|------------------|------------------|
| Term Life | 182 | 50 | 42 | 8 | 90% | 84% |
| Universal Life | 18 | 18 | 15 | 3 | 90% | 83% |

Examiner's Recommendation: The Company needs to develop procedures and have controls in place to assure the company being replaced is notified of the replacement within three working days from the receipt of the application.

Company Response: The Company has procedures that require the notification prescribed by O.A.C. §3901-6-05, subsection (G)(2)(b). The term life findings noted above were the result of personnel error and do not reflect the Company's policies and procedures, which have been provided to the Department.

The Company respectfully disagrees with the Department's universal life findings for two of the policies. The Company received the application for the first disputed policy on June 29, 2004. The written notice of replacement was mailed to the existing insurer on July 2, 2004. The application does not contain a date stamp, but our new business administration system indicates that the application was scanned into the system on June 29, 2004, which is the date we received the application. Documentation evidencing the scan date was provided to the Department.

The Company received the application for the second disputed policy on August 12, 2004 well before receipt of the "Notice Regarding Replacement" form on September 23, 2004. The notice alerted the Company to the fact that the policy was replacing an existing policy. The written notice of replacement was mailed to the existing insurer on September 25, 2004.

INTERNAL LIFE REPLACEMENTS

Internal Replacement Agent Requirements

Test: Did the agent present to the applicant a "Notice Regarding Replacement" at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

| Population: | Sample: | Yes: | No: | Standard: | Findings: |
|--------------------|----------------|-------------|------------|------------------|------------------|
| 172 | 50 | 43 | 7 | 90% | 86% |



Examiner's Recommendation: The Company needs to develop procedures to ensure that the selling agent presents the "Notice Regarding Replacement" to the applicant at the time of application.

Company Response: The Company has procedures that require the replacement notice, prescribed by O.A.C. §3901-6-05, subsection (E)(2)(a), be submitted and fully completed with each policy or contract application for replacement. The findings noted above were the result of personnel error and do not reflect the Company's policies and procedures, which have been provided to the Department.

UNREPORTED INDIVIDUAL LIFE REPLACEMENTS

Test: Did the Company's practices of handling new business applications properly identify policies that were replacing other existing policies according to Ohio Adm.Code 3901-6-05(G)(3)?

Findings: Unreported Individual Life Replacement

The review of these 56 files indicates that 16 files did not involve a replacement of existing life insurance. From the remaining 40 files, 25 files were found to replace in force policies with external companies, and 15 files involved replacing existing policies with Jackson National Life Insurance Company. Therefore, 29% of the files were properly excluded from the replacement register and 71% of the files were found to be an exception.

Examiner's Recommendation: The Company needs to develop procedures to ensure that every new business policy that replaces any individual life insurance policy must be included within the Company's replacement register and processed in accordance with Ohio Adm.Code 3901-6-05(G)(3).

Company Response: The Company agrees with Department's finding for 34 of the above policies, but disagrees with the inclusion of the 6 remaining policies. With respect to the 34 policies noted above, the Company acknowledges that these policies were not included in the Replacement Register as a result of personnel or system error and do not reflect the policies and procedures of the Company. All identified system errors were corrected prior to the commencement of this exam.

Six of the identified policies should not be included in the Replacement Register for the stated reasons: One policy is a request for conversion and should not be included in the Replacement Register. One policy was received by the Company in February of 2005 and is on the Replacement Register for that month. Two policies were submitted to the Company as alternate applications for two other policies, which are on the Replacement Register. One policy was set up in error and was processed under another policy number. One policy was placed in a suspended status and was not reported to the Replacement Register until January of 2005.



The Company would like to thank the examiners for their professionalism and assistance during the examination process.

Sincerely,



Julia A. Goatley
Assistant Vice President, Compliance
& Associate General Counsel



STATE OF OHIO
DEPARTMENT OF INSURANCE

In the matter of)
Jackson National Life Insurance Company) CONSENT ORDER
Market Regulation Desk Audit)

The Superintendent of the Ohio Department of Insurance (Department) is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code, Section 3901.011. Jackson National Life Insurance Company (Company) is authorized to engage in the business of insurance in the State of Ohio and as such is under the jurisdiction of the Superintendent and the Department. The Department conducted a desk audit of the Company's replacement activities for individual life insurance from the period of January 1, 2003 through December 31, 2004.

SECTION I

As a result of the market conduct examination, the Superintendent alleges that the Company failed to comply with the requirements of 3901-6-05 of the Ohio Adm. Code, which is an unfair and deceptive trade practice pursuant to Sections 3901.19 through 3901.23 of the Revised Code.

SECTION II

It is hereby agreed by the parties that:

- (A) The Superintendent and Company enter into this Consent Order to fully and completely resolve the allegations as set forth in Section I of this Consent Order. Further, Company specifically admits to the allegations set forth in Section I.
- (B) Company has been advised that it has a right to a hearing before the Superintendent pursuant to Chapter 119 of the Revised Code on the allegations set forth in Section I; that, at hearing, Company would be entitled to appear representing itself or represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. Company hereby waives all such rights.
- (C) Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. Company expressly waives any prerequisites to jurisdiction that may exist.
- (D) Company shall review and modify its internal guidelines and procedures in order to assure both its compliance and its agents' compliance with Ohio's Replacement Rule

as set forth in 3901-6-05, as amended, for all life insurance products it markets and sells in the State of Ohio.

(E) Company shall pay an administrative fine in the amount of Eight Thousand Dollars (\$ 8,000), by check or money order, within thirty (30) days of receipt of an invoice from the Department. Its remittance shall be made payable to: "Ohio Department of Insurance."

(F) Company has or will compensate the Department for costs incurred in conducting the desk audit.

(G) Company waives any and all causes of action, claims, rights, whether known or unknown, which it may have against the Superintendent, the Department, and any employees, agents, consultants or officials of the Department, in their individual or official capacities, as a result of any acts of omissions on the part of such persons or firms arising out of the matter set forth in Section I of this Consent Order.

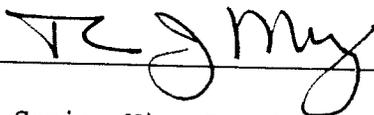
(H) Company has read and understands this Consent Order. Company fully understands that it has a right to seek counsel of its choice and to have counsel review this Consent Order.

(I) This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this Consent Order shall constitute an actionable violation in and of itself without further proof and may subject Company to any and all remedies available to the Superintendent.

(J) This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to Section 149.43 of the Revised Code.

DATE 12/15/06

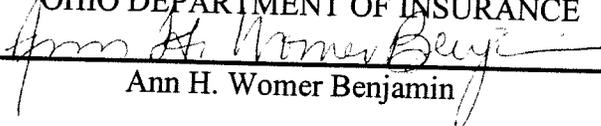
JACKSON NATIONAL LIFE INSURANCE COMPANY

BY: 

TITLE: Senior Vice President & General Counsel

DATE 1/4/07

SUPERINTENDENT OF THE
OHIO DEPARTMENT OF INSURANCE


Ann H. Womer Benjamin