

FINANCIAL SERVICES COMMISSION

**OFFICE OF INSURANCE REGULATION
MARKET INVESTIGATIONS**

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

JACKSON NATIONAL LIFE INSURANCE COMPANY

AS OF

July 14, 2006

NAIC COMPANY CODE: 65056



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PURPOSE AND SCOPE OF EXAMINATION

Under authorization of the Financial Services Commission, Office of Insurance Regulation (Office), Market Investigations, pursuant to Section 624.3161, Florida Statutes, a target market conduct examination of Jackson National Life Insurance Company (Company) was performed by Examination Resources, LLC. The scope of this examination was July 1, 2004 through June 30, 2005; however, the complaint review was expanded to March 1, 2006. The examination began July 10, 2006 and ended July 14, 2006.

The purpose of this examination was to verify the Company's compliance with suitability determination requirements in marketing annuities to senior consumers, persons 65 years of age and older, as required by Section 627.4554, Florida Statutes. The examination included the following procedures:

- Verify the documents utilized by the Company or its agents to determine suitability comply with Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.
- Review the Company's system to supervise recommendations to determine its compliance with Section 627.4554(4)(d), Florida Statutes.
- Verify the Company maintains, or makes available, records of information collected from the senior consumer in compliance with Section 627.4554(6)(a), Florida Statutes.
- Review a sample of files for annuity contracts sold to senior consumers during the scope period to verify the Company is complying with the suitability determination process required by Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes.

This Final Report is based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the Market Regulation Handbook produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

Jackson National Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on May 4, 1979. The Company provides life insurance and annuities in the State of Florida.

Total Direct Premiums Written in Florida for annuities was as follows:

Year	Total Written Annuity Premium In Florida (Per Schedule T of the Annual Statement)
2004	\$419,815,818
2005	\$456,227,233

The number of annuities sold by the Company during the period of July 1, 2004 through June 30, 2005 is shown in the following table:

	Number of Fixed Annuities	% of Fixed Annuities	Number of Variable Annuities	% of Variable Annuities	Totals
Senior Consumers	1,220	53%	1,690	55%	2,910
Other Consumers	1,068	47%	1,392	45%	2,460
Totals	2,288	100%	3,082	100%	5,370

SUITABILITY DETERMINATION PROCESS REVIEW

Supervisory System of Annuity Recommendations

The Company maintains written guidelines of procedures and forms to be utilized by agents for making recommendations to senior consumers to purchase or exchange their fixed annuity products.

The Company provided its agents with a Suitability Acknowledgement form, which was required to be submitted with every fixed annuity application, beginning on November 1, 2004. The form provides for the signatures of both the agent and applicant, which certify that a proper suitability review was either performed or declined by the applicant. The Company internally performs the supervisory review of annuity recommendations made by its agents. Beginning in January, 2005, a questionnaire is issued to every insured on the 45th day following policy delivery. The questionnaire asks for the insured's purpose for buying the policy, whether they understand their coverage and how it meets their needs, and if they have any recommendations for the Company. Every questionnaire is reviewed by a member of the Compliance Group with the Company's Legal Department, and depending on the responses, the policies are reviewed with the agent or Customer Relations Department, as needed. The Company has also recently issued a letter to all of their agents that emphasize their responsibility to establish suitability at the time of sale.

With regard to its sales of variable annuities, the Company delegates the responsibility to maintain a system of supervision over the Florida suitability related requirements to its third party broker/dealer firms. The Company's third parties are required by their selling agreements to comply with all solicitation requirements. Sales agents offer to determine suitability at the time of sale, and the broker/dealers firms evaluate their suitability documentation prior to submitting the policy application to the Company. The Company does not require that any suitability documentation be submitted to them with the policy application. In order to ensure its third parties are performing the required oversight functions of the suitability recommendation process, beginning in March, 2006, the Company requests that the third parties submit an annual suitability compliance certification. As of the date of this report, the Company indicated that it had obtained compliance certifications, applicable to the period from April 1, 2005 to March 31, 2006, from 33 of the 58 broker/dealers active in Florida. The Company has a further request scheduled for late July, 2006, for additional third parties nationwide, including some active in Florida.

The supervisory system in place was reviewed with no violations noted.

Policy Review

A sample of 100 files for annuity contracts sold to senior consumers during the scope period was reviewed to determine that the Company was complying with the suitability determination requirements of Sections 627.4554(4)(a) and (b), and 627.4554(8), Florida Statutes. No violations were noted.

COMPLAINT ANALYSIS

There were 27 complaints requested for review. The Department of Financial Services (DFS) received 6 complaints and 21 were filed directly with the Company. All complaints filed with DFS were included in the Company's complaint register. Eighteen (18) complaints related to matters outside the examination scope. The remaining 9 complaints were reviewed with no violations noted.

EXAMINATION FINAL REPORT SUBMISSION

The Office hereby issues this report as the Final Report, based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company in response to the draft report.