



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**JACKSON NATIONAL LIFE
INSURANCE COMPANY**
LANSING, MI

As of: July 18, 2012
Issued: August 2, 2012

**MARKET ACTIONS BUREAU
LIFE AND HEALTH DIVISION**

JACKSON NATIONAL LIFE INSURANCE COMPANY
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 27th day of April, 2011, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.




Michael F. Consedine
Insurance Commissioner

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
JACKSON NATIONAL LIFE	:	Section 671-A of Act 147 of 2002
INSURANCE COMPANY	:	(40 P.S. § 310.71)
1 Corporate Way	:	
Lansing, MI 48951	:	Sections 404-A, 408-A(c)(4)(ii),
	:	408-A(e)(1)(ii), and 410F(c)(5)(i), (ii)
	:	of the Insurance Company Law, Act of
	:	May 17, 1921, P.L. 682, No. 284 (40
	:	P.S. §§ 625-4, 625-8 and 510e)
	:	
	:	Title 31, Pennsylvania Code, Sections
	:	81.4(b)(1), 81.6(a)(2)(ii) and 82.72
	:	
	:	
Respondent.	:	Docket No. MC12-07-007

CONSENT ORDER

AND NOW, this 2 day of August, 2012, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Jackson National Life Insurance Company, and maintains its address at 1 Corporate Way, Lansing, MI 48951.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2009 to December 31, 2009.
- (c) On June 14, 2012, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on July 11, 2012.
- (e) On July 18, 2012, the Insurance Department issued a revised Market Conduct Examination Report to Respondent.

(f) A response to the revised Examination Report was provided by Respondent on July 19, 2012.

(g) The Examination Report notes violations of the following:

(i) Section 671-A of Act 147 of 2002 (40 P.S. § 310.71), which prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;

(ii) Section 404-A of the Insurance Company Law, No. 284 (40 P.S. §625-4), which requires when the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand-delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of

establishing the date from which any applicable policy or examination period shall commence;

- (iii) Section 408-A(c)(4)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which requires a statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.”

- (iv) Section 408-A(e)(1)(ii) of the Insurance Company Law, No. 284 (40 P.S. § 625-8), which states if the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered;

- (v) Section 410F(c)(5)(i) and (ii) of the Insurance Company Law, No. 284 (40 P.S. § 510e), which requires (i) notification to the policyholder of the initial rate of interest on the loan at the time a cash loan is made, and (ii) notification to the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection (c)(5)(iii);

- (vi) Title 31, Pennsylvania Code, Section 81.4(b)(1), which states that if replacement is involved, the agent or broker shall present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities;

- (vii) Title 31, Pennsylvania Code, Section 81.6(a)(2)(ii), which states an insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by Section 83.3, or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 5 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner; and

(viii) Title 31, Pennsylvania Code, Section 82.72, which states within 30 days after each anniversary of the policy, a statement of the cash surrender value, death benefit, a partial withdrawal or policy loan and interest charge, under the policy computed as of the policy anniversary date shall be mailed. The statement may be furnished within 30 days after a specified date in each policy year if the information contained therein is computed as of a date not more than 60 days prior to the mailing of the notice.

(1) This statement shall state that, in accordance with the investment experience of the separate account, the cash values and the variable death benefit may increase or decrease, and this statement shall prominently identify value described therein which may be recomputed prior to the next statement required by this section. If the policy guarantees that the variable death benefit on the next policy anniversary date will not be less than the variable death benefit specified in the statement, the statement shall be modified to so indicate.

(2) For flexible premium policies, the report shall contain a reconciliation of the change since the previous report in cash value and cash surrender value, if different, because of payments made – less deduction for expense charges – withdrawals, investment experience, insurance charges and other charges made against the cash value.

(i) The report shall show the projected cash value and cash surrender value, if different, as of 1 year from the end of the period covered by

the report assuming that:

- (A) Planned periodic premiums, if any, are paid as scheduled.
 - (B) Guaranteed costs of insurance are deducted.
 - (C) The net investment return is equal to the guaranteed rate or, in the absence of a guaranteed rate, is not greater than zero.
- (ii) If the projected value is less than zero, a warning message shall be included that states that the policy may be in danger of terminating without value in the next 12 months unless additional premium is paid.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Sections 404-A, 408-A and 410F of the Insurance Company Law, No. 284 (40 P.S. §§625-4, 625-8 and 510e) are punishable by the following, under 40 P.S. § 625-10: Upon determination by hearing that this act has been violated, the commissioner may issue a cease and desist order,

suspend, revoke or refuse to renew the license, or impose a civil penalty of not more than \$5,000 per violation.

- (c) Respondent's violations of Title 31, Pennsylvania Code, Chapter 81, are punishable under Title 31, Pennsylvania Code, Section 81.8(b) and (c), which provide failure to comply, after a hearing, may subject a company to penalties provided in 40 P.S. § 475. Failure to comply shall be considered a separate violation and may not be considered in lieu of a proceeding against the company for a violation of 40 P.S. §§472, 473 or 474. In addition, failure to make the disclosure may be considered a violation of the Unfair Insurance Practices Act (40 P.S. §§ 1171.1 to 1171.15);

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted

Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

- (c) Respondent shall pay One Hundred and Fifty Thousand Dollars (\$150,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (d) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Administrative Officer, Bureau of Market Actions, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.
- (e) After a period of 18 months from the date of this Order, Respondent shall be re-examined to determine compliance with the recommendations from the examination report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in

an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

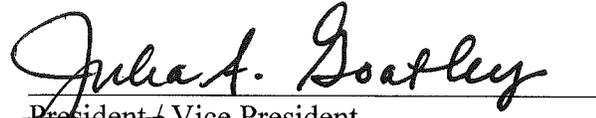
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law

contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: JACKSON NATIONAL LIFE INSURANCE
COMPANY, Respondent


~~President~~ Vice President


Secretary / Treasurer


COMMONWEALTH OF PENNSYLVANIA
By: Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Jackson National Life Insurance Company; hereafter referred to as “Company,” at the Company’s office located in Lansing, MI from December 5, 2011, through May 3, 2012. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations 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 violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The following examiners participated in the Examination and in the preparation of this Report.

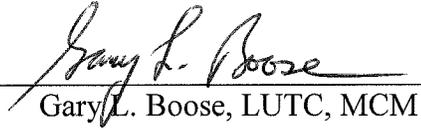
Yonise A. Roberts Paige
Market Conduct Division Chief

Gary L. Boose
Market Conduct Examiner

Lonnie L. Suggs
Market Conduct Examiner

VERIFICATION

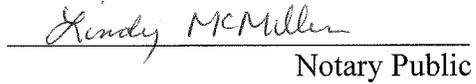
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



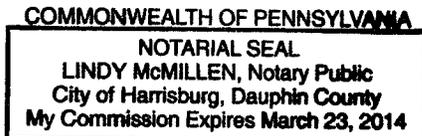
Gary L. Boose, LUTC, MCM

Sworn to and Subscribed Before me

This 6th Day of June, 2012



Notary Public



II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of January 1, 2009, through December 31, 2009, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The examination focused on the market conduct activities in areas such as: replacement underwriting, policy loans, company operations and management, marketing and sales, advertising materials, producer licensing, policy forms and filing, consumer complaints.

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

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

III. COMPANY HISTORY AND LICENSING

Jackson 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 operation territory. The company is now licensed and markets its products in 49 states and the District of Columbia. Jackson National is a wholly owned indirect subsidiary of Prudential plc, which acquired Jackson in 1986. Prudential plc is an international financial services company, based in the United Kingdom.

In March 2003, the company launched Curian Capital LLC, a separately managed accounts provider. In 2005 Jackson acquired Life Insurance Company of Georgia.

As of the Annual Statement for the year ending 2009 for Pennsylvania, the Jackson National Life Insurance Company reported direct premium and annuity considerations in the amount of \$765,286,627.00; and direct premium earned for accident and health in the amount of \$21,363.00.

IV. ADVERTISING

The Company was requested to provide a copy of the Advertising Certificate of Compliance submitted to the Department for the experience period. The certification was requested to ensure compliance with Title 31, Pennsylvania Code, Section 51.5. Section 51.5 provides that “A company required to file an annual statement which is now or which hereafter becomes subject to this chapter shall file with the Department with its Annual Statement a Certificate of Compliance executed by an authorized officer of the company wherein it is stated that to the best of his knowledge, information and belief the advertisements which were disseminated by the company during the preceding statement year complied or were made to comply in all respects with the provisions of the insurance laws and regulations of this Commonwealth.” No violations were noted.

V. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law, Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud notice. For initial exam purposes, forms violations found in the other sections of the examination will be addressed in their respective initial summaries. No violations were noted.

VI. PRODUCER LICENSING

The Company was requested to provide a list of all producers active and terminated during the experience period. The Company provided a list of 12,024 active producers and 3,369 terminated producers. There were 25 active and 25 terminated producers selected for review. The sample list was compared to departmental records of producers to verify licensing, appointments and termination. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the examination. The following violations were noted:

11 Violations—Insurance Department Act, No. 147, Section 671-A (40 P.S. §310.71)

- (a) Representative of the insurer. – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer. – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to department. – An insurer that appoints an insurance producer shall file with the department a notice of appointment. The notice shall state for which companies within the insurer's holding company system or group the appointment is made.
- (d) Termination of appointment. – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in

writing to the insurance producer or until the insurance producer's license is suspended, revoked or otherwise terminated.

- (e) Appointment fee. – An appointment fee of \$12.50 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.
- (f) Reporting. – An insurer shall, upon request, certify to the department the names of all licensees appointed by the insurer.

The Company failed to file a notice of appointment and submit appointment fees to the Insurance Department for the noted 3 producers, or agencies. The Company listed these producers as terminated; however, Department records did not indicate they have ever been appointed.

Last Name	First Name
Searing	John E
Schaeneman	William F
Hewitt	Paul B

The noted 7 individuals were listed as producers on 8 applications reviewed in the policy and contract issued sections of the exam. Department records do not identify these individuals as being appointed by the Company.

Last Name	First Name	Frequency
Capocci	Alfred	1
Bonasso	Mark	2
Vicknair	Dewey	1
Anderson	Keith	1
Brown	Ensert	1
Dunn-Fox	Leo J	1
Lerch	Orville H	1

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period the experience period and provide copies of consumer complaint logs for 2005, 2006, 2007, and 2008. The Company identified 10 consumer complaints received during the experience period. Of the 10 complaints identified 10 were forwarded from the Department. All 10 complaint files were requested, received, and reviewed. The Company also provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log. The complaint files and the 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5 (a)(11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with Title 31, PA Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices. No violations were noted.

VIII. UNDERWRITING

The Underwriting review consisted of 37 general segments.

A.	Underwriting Guidelines
B.	Group Renewable Term Life Certificates Issued
C.	Group Universal Life Certificates Issued
D.	Group Variable Life Certificates Issued
E.	Group Whole Life Certificates Issued
F.	Individual Universal life Issued as Replacements
G.	Individual Variable Universal Life Issued as Replacements
H.	Individual Whole Life Policy Automatic Premium Loans
I.	Individual Fixed Annuity Contract Loans
J.	Individual Universal Life Policy Loans
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L.	Individual Interest Sensitive Whole Life Policies Surrendered
M.	Individual Life Policies Surrendered
N.	Individual Universal Life Policies Surrendered
O.	Individual Whole Life Policies Surrendered
P.	Individual Interest Sensitive Whole Life Policies Partially Surrendered
Q.	Individual Universal Life Policies Partially Surrendered
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FF.	Individual Fixed Indexed Annuity Contracts Issued
GG.	Individual Immediate Annuity Contracts Issued

HH.	Individual Variable Annuity Contracts Issued as Replacement
II.	Individual Variable Annuity Contracts Surrendered
JJ.	Individual Variable Annuity 1035 Exchanges
KK.	Individual Variable Annuity Contracts Issued

Each segment was reviewed for compliance with underwriting practices and included forms identification and producer identification. Issues relating to forms or licensing appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period. The manuals were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

The following Small Business Underwriting Guidelines were reviewed:

- a) APS Rules and Guidelines effective January 1, 2006.
- b) APS Rules and Guidelines effective May 14, 2009.
- c) Jackson Life Preferred Guide February 27, 2006 (Applicable for all products developed in 2003 or after).
- d) Guidelines for Identification of Stranger-Originated Life Insurance May 8, 2009.
- e) Foreign Residence and Travel Guidelines, Jackson National Life Companies, Current as of November 11, 2008.
- f) Jackson National Life & Jackson National Life of New York Underwriting Guidelines -February 27, 2006 Voluntary Life.

B. Group Renewable Term Life Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company provided a list of 1 group renewable term life certificate issued. The certificate was requested, received and reviewed. The certificate was reviewed to ensure compliance with Commonwealth Statutes and Regulations. No violations were noted.

C. Group Universal Life Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company provided a list of 99 group universal life certificates issued. A random sample of 7 group universal life certificates issued were requested, received and reviewed. The files were reviewed to ensure compliance with Commonwealth Statutes and Regulations. The following violations were noted:

1 Violation – Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the producer delivers the individual policy or annuity to the policyholder by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or

examination period shall commence. Verification of the date of policy delivery could not be established in the noted file.

1 Violation – Insurance Company Law, Section 408A(c)(4)(ii)

A statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.” The noted file did not contain the signed certification by the producer.

1 Violation – Insurance Company Law, Section 408-A(e)(1)(ii) (40 P.S. §625-8)

If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered. The noted file did not contain the signed certification and acknowledgement by the applicant of the delivery of a revised illustration.

D. Group Variable Life Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company provided a list of 1 group variable life certificate issued. The group variable life certificate issued file was requested, received and

reviewed. The certificate was reviewed to ensure compliance with Commonwealth Statutes and Regulations. No violations were noted.

E. Group Whole Life Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company provided a list of 1 group whole life certificate issued. The group whole life certificate issued file was requested, received and reviewed. The certificate was reviewed to ensure compliance with Commonwealth statutes and regulations. No violations were noted.

F. Individual Universal Life Issued as Replacements

The Company was requested to provide a list of all policies issued during the experience period. The Company provided a list of 1 individual universal life policy issued as a replacement. The individual universal life policy was requested, received and reviewed. The file was reviewed and determined to be a Pennsylvania resident, however, the application was signed and issued in another state and was not subject to Pennsylvania jurisdiction. No violations were noted.

G. Individual Variable Universal Life Issued as Replacements

The Company was requested to provide a list of all policies issued during the experience period. The Company provided a list of 1 individual variable universal life policy issued as a replacement. The individual universal variable life policy was

requested, received and reviewed. The file was reviewed and determined to be a Pennsylvania resident, however, the application was signed and issued in another state and was not subject to Pennsylvania jurisdiction. No violations were noted.

H. Individual Whole Life Policy Automatic Premium Loans

The Company was requested to provide a list of all individual whole life policy automatic premium loans during the experience. The Company provided a list of 31 individual whole life policy automatic premium loans. A sampling of the first 10 individual whole life policy automatic premium loans was requested, received and reviewed. Upon further review, the 10 individual whole life policy automatic premium loan files included documentation indicating the insured's having multiple automatic premium loans during the experience period. Due to the insured's having multiple automatic premium loans, 21 files were reviewed to determine compliance policy provisions, statutes and regulations. No violations were noted.

I. Individual Fixed Annuity Loans

The Company was requested to provide a list of all individual fixed annuity loans during the experience. The Company provided a universe of one annuity loan file. The individual fixed annuity loan file was requested, received and reviewed. The annuity loan file was reviewed to determine compliance with the Commonwealth of Pennsylvania policy provisions, statutes and regulations. No violations were noted.

J. Individual Universal Life Policy Loans

The Company was requested to provide a list of all individual universal life policy loans during the experience period. The Company provided a list of 16 individual universal life policy loans. All 16 individual universal life policy loans were requested, received and reviewed. The individual universal life policy loan files were reviewed to determine compliance with the Commonwealth of Pennsylvania policy provisions, statutes and regulations. The following violations were noted:

14 Violations - 40 P.S. §510e (C) (5)(i)(ii) Policy Loan Interest Rates

(i) notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan.

Notice need not be given to the policyholder when a further premium loan is added, except as provided in subsection (c)(5)(iii). The Company failed to notify the policyholder of the initial interest rate at the time the loan was made.

1 Violation – Insurance Company Law, Section 408-A(c)(4)(i) (40 P.S. §625-8)

A statement to be signed and dated by the applicant or the policy owner in the case of an illustration provided at time of delivery, reading as follows: “I have received a copy of this illustration and understand that any nonguaranteed elements illustrated are subject to change and could be either higher or lower. The producer has told me they are nonguaranteed.” The noted file did not contain the signed certification and acknowledgement of an illustration at the time of policy delivery by the applicant.

1 Violation – Insurance Company Law, Section 408-A(c)(4)(ii) (40 P.S. §625-8)

A statement to be signed and dated by the producer reading as follows: “I certify that this illustration has been presented to the applicant or the policy owner and that I have explained that any nonguaranteed elements illustrated are subject to change. I have made no statements that are inconsistent with the illustration.” The noted file did not contain the signed certification by the producer.

1 Violation– Insurance Company Law, Section 408-A(e)(1)(ii) (40 P.S. §625-8)

The following applies if a basic illustration is used by a producer in the sale of a life insurance policy. If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be mailed or delivered with the policy. The revised illustration shall conform to the requirements for basic illustrations contained in this act and shall be labeled “Revised Illustration.” The statement required by subsection (c)(4) shall be signed and dated by the policy owner and producer no later than the time the policy is delivered. A copy shall be provided to the policy owner no later than the time the policy is delivered and to the insurer as soon as practical after the policy is delivered. The noted file did not contain the signed certification and acknowledgement of a revised illustration by the producer at time of delivery.

1 Violation - Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or

annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Policy delivery by mail must be proved through a “Certificate of Mailing.” Verification of policy delivery could not be established in the noted file.

K. Individual Whole Life Policy Loans

The Company was requested to provide a list of all individual whole life policy loans during the experience period. The Company provided a list of 32 individual whole life policy loans during period. A random sample of 10 individual whole life policy loan files were requested, received and reviewed. The individual whole life policy loan files were reviewed to determine compliance with the Commonwealth of Pennsylvania policy provisions, statutes and regulations. The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 82.72 Policy Statement

Within 30 days after each anniversary of the policy, a statement of the cash surrender value, death benefit, a partial withdrawal or policy loan and interest charge, under the policy computed as of the policy anniversary date shall be mailed. The statement may be furnished within 30 days after a specified date in each policy year if the information contained therein is computed as of a date not more than 60 days prior to the mailing of the notice.

(1) This statement shall state that, in accordance with the investment experience of the separate account, the cash values and the variable death benefit may increase or decrease, and this statement shall prominently identify value described therein which may be recomputed prior to the next statement required by this section. If the policy

guarantees that the variable death benefit on the next policy anniversary date will not be less than the variable death benefit specified in the statement, the statement shall be modified to so indicate.

(2) For flexible premium policies, the report shall contain a reconciliation of the change since the previous report in cash value and cash surrender value, if different, because of payments made—less deduction for expense charges—withdrawals, investment experience, insurance charges and other charges made against the cash value.

(i) The report shall show the projected cash value and cash surrender value, if different, as of 1 year from the end of the period covered by the report assuming that:

(A) Planned periodic premiums, if any, are paid as scheduled.

(B) Guaranteed costs of insurance are deducted.

(C) The net investment return is equal to the guaranteed rate or, in the absence of a guaranteed rate, is not greater than zero.

(ii) If the projected value is less than zero, a warning message shall be included that states that the policy may be in danger of terminating without value in the next 12 months unless additional premium is paid.

The Company failed to provide a timely policy statement of the insured's cash values after each anniversary date in the noted file.

9 Violations – 40 P.S. §510e (C) (5)(i)(ii) Policy Loan Interest Rates

(i) Notify that policyholder at the time a cash loan is made of the initial rate of interest on the loan;

(ii) Notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan.

Notice need not be given to the policyholder when a further premium loan is added,

except as provided in subsection (c)(5)(iii). The Company failed to notify the policyholder of the initial interest rate at the time the cash loan was made.

L. Individual Interest Sensitive Whole Life Policies Surrendered

The Company was requested to provide a list of all whole life policies surrendered during the experience period. The Company provided a list of 43 individual interest sensitive whole life policies surrendered. A random sample of 2 individual interest sensitive whole life policies surrendered were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

M. Individual Life Policies Surrendered

The Company was requested to provide a list of all individual life policies surrendered during the experience period. The Company provided a list of 21 individual life policies surrendered. A random sample of 3 individual life policies surrendered were requested, received and reviewed. Of the 3 policies reviewed, 1 file was determined to be a non-Pennsylvania resident. The application was signed and issued in another State and not subject to Pennsylvania jurisdiction. The remaining 2 policy files were reviewed to determine compliance with Commonwealth Statutes and Regulations. No violations were noted.

N. Individual Universal Life Policies Surrendered

The Company was requested to provide a list of all individual universal life policies surrendered during the experience period. The Company provided a list of 23 individual universal life policies surrendered. A random sample of 2 individual universal life policies surrendered was requested, received and reviewed. The files were reviewed and determined to be non-Pennsylvania residents. The applications were signed and issued in another state and were not subject to Pennsylvania jurisdiction. No violations were noted.

O. Individual Whole Life Policies Surrendered

The Company was requested to provide a list of all individual whole life policies surrendered during the experience period. The Company provided a list of 18 individual whole life policies surrendered. A random sample of 3 individual whole life policies surrendered was requested, received and reviewed. The policy files were reviewed to determine compliance with Commonwealth Statutes and Regulations. No violations were noted.

P. Individual Interest Sensitive Whole Life Policies Partially Surrenders

The Company was requested to provide a list of all whole life policies surrendered during the experience period. The Company provided a list of 175 individual interest sensitive whole life policies partially surrendered. A random sample of 13 individual interest sensitive whole life policies that were partially surrendered were requested,

received and reviewed. The files were reviewed and 6 were determined to be non-Pennsylvania residents. The applications were signed and issued in another state and were not subject to Pennsylvania jurisdiction. The remaining 7 policy files were reviewed to determine compliance to with Commonwealth Statutes and Regulations. No violations were noted.

Q. Individual Universal Life Policies Partially Surrendered

The Company was requested to provide a list of all life policies surrendered during the experience period. The Company provided a list of 7 individual universal life policies partially surrendered. A random sample of 2 individual universal life policies partially surrendered were requested, received and reviewed. Of the 2 policies reviewed, 1 file was determined to be a non-Pennsylvania resident. The application was signed and issued in another State and not subject to Pennsylvania jurisdiction. The remaining 1 policy file was reviewed to determine compliance with Commonwealth Statutes and Regulations. No violations were noted.

R. Individual Variable Universal Life 1035 Policy Exchanges

The Company was requested to provide a list of all individual variable universal life 1035 policy exchanges during the experience period. The Company identified a universe of 2 individual variable universal life 1035 policy exchanges during the experience period. The 2 variable universal life 1035 policy exchange files were requested, received and reviewed. The policy files were reviewed and determined to be Pennsylvania residents, however the applications were signed and issued in another State and therefore not subject to Pennsylvania jurisdiction. No violations were noted.

S. Individual Universal Life 1035 Policy Exchanges

The Company was requested to provide a list of all individual universal life 1035 policy exchanges during the experience period. The Company identified a universe of 1 universal life 1035 policy exchange file. The 1 universal life 1035 policy exchange file was requested, received and reviewed. The file was determined to be a non-Pennsylvania resident. The application was signed and issued in another State and not subject to Pennsylvania jurisdiction. No violations were noted.

T. Individual Universal Life Policies Issued

The Company was requested to provide a list of all individual universal life policies issued during the experience period. The Company identified a universe of 4 individual universal life policies issued during the period. All 4 individual universal life policy files were requested, received and reviewed. Of the 4 files reviewed, 2 files were determined to be Pennsylvania residents and the other two were non-Pennsylvania residents. All four applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

U. Individual Whole Life Policies Issued

The Company was requested to provide a list of all individual policies issued during the experience period. The Company identified a universe of 1 policy issued during the period. The file was requested, received and reviewed. The file was reviewed and determined to be a non-Pennsylvania resident. The application was signed and issued

in another State and therefore not subject to Pennsylvania jurisdiction. No violations were noted.

V. Individual Renewable Term Life Policies Issued as Replacements

The Company was requested to provide a list of all term life insurance policies issued as replacements during the experience period. The Company identified a universe of 65 individual renewable term life insurance policies issued as replacements. A random sampling of 10 individual renewable term life insurance policies issued as replacements were requested received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

5 Violations - Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of policy delivery could not be established in the noted files.

W. Individual Renewable Term Life Policies Issued

The Company was requested to provide a list of all life policies issued during the experience period. The Company provided a list of 171 individual renewable term life policies issued. A random sample of 10 individual renewable term life policies issued were requested, received and reviewed. The policy files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted.

4 Violations – Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of policy delivery could not be established in the noted files.

X. Individual Fixed Annuity Contracts Issued as Replacements

The Company was requested to provide a list of all annuity contracts replaced during the experience period. The Company provided a list of 9 individual fixed annuity

contracts issued as replacements. All 9 individual fixed annuity contracts issued as replacements were requested, received and reviewed. The contract files were reviewed and determined to be non-Pennsylvania residents. The applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

Y. Individual Fixed Indexed Annuity Contracts Issued as Replacements

The Company was requested to provide a list of all annuity contracts replaced during the experience period. The Company provided a list of 13 individual fixed indexed annuity contracts issued as replacements. A random sample of 10 individual fixed indexed annuity contracts issued as replacements were requested, received and reviewed. The contract files were reviewed and determined to be Pennsylvania residents. The applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

Z. Individual Immediate Annuities Issued as Replacements

The Company was requested to provide a list of all annuity contracts replaced during the experience period. The Company provided a list of 18 individual immediate annuity contracts issued as replacements. A random sample of 10 individual immediate annuity contracts issued as replacements were requested, received and reviewed. The contract files were reviewed and determined to be Pennsylvania residents. One application was signed and issued in another State and was not subject to Pennsylvania jurisdiction. The remaining 9 annuity files were reviewed to

determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted.

1 Violation – Title 31, Pennsylvania Code, Section 81.4(b)(1)

If replacement is involved, the agent or broker shall: present to the applicant, not later than at the time of taking the application, a Notice Regarding Replacement of Life Insurance and Annuities. In the noted file, the replacement form was dated after the application date.

3 Violations – Title 31, Pennsylvania Code, Section 81.6 (a)(2)(ii)

An insurer that uses an agent or broker in a life insurance or annuity sale shall, if replacement is involved: Send to each existing insurer a written communication advising of the replacement or proposed replacement and the identification information obtained under subparagraph (I) and in the case of life insurance, the disclosure statement as required by § 83.3 (relating to disclosure statement) or ledger statement containing comparable policy data on the proposed life insurance. This written communication shall be made within 3 working days of the date the application is received in the replacing insurer's home or regional office, or the date the proposed policy or contract is issued, whichever is sooner. The replacement letter to the replaced company was untimely or not documented in the noted files.

5 Violations – Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date

of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of annuity contract delivery could not be established in the noted files.

AA. Individual Fixed Annuity Contracts Surrendered

The Company was requested to provide a list of all annuity contracts surrendered during the experience period. The Company provided a list of 602 individual fixed annuity contracts surrendered. A random sample of 25 individual fixed annuity contracts surrendered were requested, received and reviewed. The individual fixed annuity contract files were reviewed and 2 files were determined to be non-Pennsylvania residents. The applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. The remaining 23 annuity files were reviewed to determine compliance with Commonwealth Statutes and Regulations. No violations were noted.

Department Concern: The Department is concerned when a producer assists an 82 year old consumer with surrendering their previous annuity contract and within two months purchases two new annuity contracts that have additional surrender periods.

BB. Individual Fixed Indexed Annuity Contracts Surrendered

The Company was requested to provide a list of all annuity contracts surrendered during the experience period. The Company provided a list of 220 individual fixed indexed annuity contracts surrendered. A random sample of 25 individual indexed fixed annuity contracts surrendered were requested, received and reviewed. Of the 25 individual indexed fixed annuity contracts reviewed, 2 files were reviewed and determined to be non-Pennsylvania residents. The 2 applications were signed and issued in another State and not subject to Pennsylvania jurisdiction. The 23 remaining individual fixed annuities were reviewed to determine compliance with Commonwealth Statutes and Regulations. No violations were noted.

CC. Individual Fixed Annuity 1035 Exchanges

The Company was requested to provide a list of all annuity contracts issued that were 1035 exchanges during the experience period. The Company provided a list of 2 individual fixed annuity 1035 exchanges. The 2 individual fixed annuity 1035 exchange files were requested, received and reviewed. The files were reviewed and determined to be Pennsylvania residents. The two applications were signed and issued in another State and were not subject to Pennsylvania Jurisdiction. No violations were noted.

DD. Individual Fixed Indexed Annuity 1035 Exchanges

The Company was requested to provide a list of all annuity contracts issued that were 1035 exchanges during the experience period. The Company provided a list of 3

individual fixed indexed annuity 1035 exchanges. All 3 individual fixed indexed annuity 1035 exchange files were requested, received and reviewed. The files were reviewed and determined to be non-Pennsylvania residents. The three applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

EE. Individual Fixed Annuity Contracts Issued

The Company was requested to provide a list of all annuity contracts issued during the experience period. The Company provided a list of 20 individual fixed annuity contracts issued. A random sample of 3 individual fixed annuity contracts issued was requested, received and reviewed. The contract files were reviewed and determined to be Pennsylvania residents. The applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

FF. Individual Fixed Indexed Annuity Contracts Issued

The Company was requested to provide a list of all annuity contracts issued during the experience period. The Company provided a list of 71 individual fixed indexed annuity contracts issued. A random sample of 5 individual fixed indexed annuity contracts issued was requested, received and reviewed. Of the 5 files reviewed, 4 were determined to be Pennsylvania residents and 1 was a non-Pennsylvania resident. Two of the applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. The 3 remaining files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

1 Violation – Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of the annuity contract delivery could not be established in the noted file.

GG. Individual Immediate Annuity Contracts Issued

The Company was requested to provide a list of all annuity contracts issued during the experience period. The Company provided a list of 101 individual immediate annuity contracts issued. A random sample of 7 individual immediate annuity contracts issued were requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. The following violations were noted:

3 Violations – Insurance Company Law, Section 404-A (40 P.S. §625-4)

When the individual policy or annuity is delivered to the policyholder by the producer by hand, a delivery receipt shall be used. This receipt must be in at least a duplicate

set and state the date the policy or annuity was received by the policyholder. The receipt date shall be the date on which the policyholder and producer sign the delivery receipt, and such date shall commence any applicable policy or annuity examination period. Copies of the delivery receipt must be provided to the policyholder on the date of policy or annuity delivery and to the issuing insurer. When the individual policy or annuity is delivered by a means other than by hand delivery by the producer, the insurer shall establish appropriate means of verifying delivery by the producer of the policy or annuity and of establishing the date from which any applicable policy or examination period shall commence. Verification of the date of annuity contract delivery could not be established in the noted files.

HH. Individual Variable Annuity Contracts Issued as Replacements

The Company was requested to provide a list of all annuity contracts replaced during the experience period. The Company provided a list of 18 individual variable annuity contracts issued as replacements. A random sample of 10 individual variable annuity contracts issued as replacements were requested, received and reviewed. Of the files were reviewed, 1 was determined to be a non-Pennsylvania resident and 9 were determined to be Pennsylvania residents. The applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

II. Individual Variable Annuity Contracts Surrendered

The Company was requested to provide a list of all annuity policies surrendered during the experience period. The Company provided a list of 100 individual variable annuity

contracts surrendered. A random sample of 10 individual variable annuity contracts surrendered were requested, received and reviewed. The contract files were reviewed and determined to be Pennsylvania residents. Of the 10 files reviewed, 4 of the applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. The remaining 6 files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted.

JJ. Individual Variable Annuity 1035 Exchanges

The Company was requested to provide a list of all annuity contracts issued that were 1035 exchanges during the experience period. The Company provided a list of 6 individual variable annuity 1035 exchanges. All 6 individual variable annuity 1035 exchange files were requested, received and reviewed. The files were reviewed and determined to be Pennsylvania residents. The 6 applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. No violations were noted.

KK. Individual Variable Annuity Contracts Issued

The Company was requested to provide a list of all annuity contracts issued during the experience period. The Company provided a list of 112 individual variable annuity contracts issued. A random sample of 10 individual variable annuity contracts issued was requested, received and reviewed. The files were reviewed and determined to be Pennsylvania residents. Of the 10 files reviewed, 8 of the applications were signed and issued in another State and were not subject to Pennsylvania jurisdiction. The

remaining 2 files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations. No violations were noted

IX. INTERNAL AUDIT & COMPLIANCE PROCEDURES

The Company was requested to provide copies of their internal audit and compliance procedures. The documents requested will be reviewed to ensure compliance with Insurance Company Law, Section 405-A (40 P.S. §625-5). Section 405-A provides for the establishment and maintenance of internal audit and compliance procedures which provides for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. The procedures shall also provide for the following:

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales. No violations were noted.

X. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other violations, noted in the Report.

1. The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).
2. The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8).
3. The Company must implement procedures to ensure compliance with the premium loan notification requirements of Section 410 of the Insurance Company Law of 1921(40 P.S. 510e)
4. The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
5. The Company must review internal control procedures to ensure compliance with the policyholder statement requirements of Title 31, Pennsylvania Code, Chapter 82.
6. The Company must review and revise Licensing procedures to ensure compliance with Section 671-A of the Insurance Department Act of 1921 (40 P.S. §310.71)

XI. COMPANY RESPONSE

J. Bart Vitou
Associate General Counsel
Compliance

July 10, 2012

Yonise Roberts Paige, Chief
Office of Market Regulation
Bureau of Market Actions, Life and Health Division
1321 Strawberry Square
Harrisburg, PA 17120

**Re: Jackson National Life Insurance Company
Market Conduct Examination Report
Examination Warrant Number: 10-M27-063**

Dear Ms. Paige:

This is Jackson National Life Insurance Company's response to the market conduct examination report sent to the Company's attention on June 14, 2012. This response addresses the Violations in the following groups: Company Agrees and Violations that do not Indicate Procedural Weaknesses.

Company Agrees

The Company agrees with the following violations.

Statute or Code Section	Number of Violations
40 P.S. §625-4	20
40 P.S. §510e	23
40 P.S. §310.71	11

Recommendations:

- The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).

Company Response: All of the violations occurred with contracts that were issued prior to the Company's implementation of revised delivery receipt procedures, which resulted from the Department's Market Conduct Exam conducted in 2008. The final Consent Order for the 2008 exam was signed by Jackson on June 22, 2009.

J. Bart Vitou

Associate General Counsel
Compliance

- The Company must implement procedures to ensure compliance with the premium loan notification requirements of Section 410 of the Insurance Company Law of 1921(40 P.S. 510e)

Company Response: The Company has revised applicable premium loan correspondence comply with the premium loan notification requirements.

Violations that do not Indicate Procedural Weaknesses

The Company agrees with the following violations. These violations are the result of human error and do not reflect any weaknesses in the Companies' policies and procedures.

Statute or Code Section	Number of Violations
40 P.S. §625-8(c)(4)(ii)	2
40 P.S. §625-8(e)(1)(ii)	2
40 P.S. §625-8(c)(4)(i)	1
31 P.C. §82.72	1
31 P.C. §81.4(b)(1)	1
31 P.C. §81.6(a)(2)(ii)	3
40 P.S. §627-3	2

Recommendations:

- The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8).
- The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
- The Company must review internal control procedures to ensure compliance with the policyholder statement requirements of Title 31, Pennsylvania Code Chapter 82.
- The Company must review internal control procedures to ensure compliance with consumer suitability procedures of the Insurance Company Law of 1921 (40 P.S. §627-3).

Company Response: The Company has reviewed the applicable procedures and determined they are sufficient to ensure compliance with requirements noted above. A

J. Bart Vitou

Associate General Counsel
Compliance

reminder regarding the importance and necessity of associates to follow procedures will be sent.

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

Sincerely,



Bart Vitou
Associate General Counsel

J. Bart Vitou
Associate General Counsel
Compliance

July 19, 2012

Yonise Roberts Paige, Chief
Office of Market Regulation
Bureau of Market Actions, Life and Health Division
1321 Strawberry Square
Harrisburg, PA 17120

**Re: Jackson National Life Insurance Company
Market Conduct Examination Report
Examination Warrant Number: 10-M27-063**

Dear Ms. Paige:

This is Jackson National Life Insurance Company's response to the market conduct examination report sent to the Company's attention on June 14, 2012. This response addresses the Violations in the following groups: Company Agrees and Violations that do not Indicate Procedural Weaknesses.

Company Agrees

The Company agrees with the following violations.

Statute or Code Section	Number of Violations
40 P.S. §625-4	20
40 P.S. §510e	23
40 P.S. §310.71	11

Recommendations:

- The Company must implement procedures to ensure compliance with the policy delivery receipt requirements of Section 404-A of the Insurance Company Law of 1921 (40 P.S. §625-4).

Company Response: All of the violations occurred with contracts that were issued prior to the Company's implementation of revised delivery receipt procedures, which resulted from the Department's Market Conduct Exam conducted in 2008. The final Consent Order for the 2008 exam was signed by Jackson on June 22, 2009.

- The Company must implement procedures to ensure compliance with the premium loan notification requirements of Section 410 of the Insurance Company Law of 1921(40 P.S. 510e)

Company Response: The Company has revised applicable premium loan correspondence comply with the premium loan notification requirements.



Yonise Roberts Paige
 July 19, 2012
 Page 2

- The Company must review and revise Licensing procedures to ensure compliance with Section 671-A of the Insurance Department Act of 1921 (40 P.S. §310.71).

Company Response: The Company has reviewed its Licensing procedures and has initiated changes to the procedures to ensure compliance with Section 671-A.

Violations that do not Indicate Procedural Weaknesses

The Company agrees with the following violations. These violations are the result of human error and do not reflect any weaknesses in the Companies' policies and procedures.

Statute or Code Section	Number of Violations
40 P.S. §625-8(c)(4)(ii)	2
40 P.S. §625-8(e)(1)(ii)	2
40 P.S. §625-8(c)(4)(i)	1
31 P.C. §82.72	1
31 P.C. §81.4(b)(1)	1
31 P.C. §81.6(a)(2)(ii)	3

Recommendations:

- The Company must review internal control procedures to ensure compliance with illustration certification and delivery requirements of Section 408-A of the Insurance Company Law of 1921 (40 P.S. §625-8).
- The Company must review and revise internal control procedures to ensure compliance with the replacement requirements of Title 31, Pennsylvania Code, Chapter 81.
- The Company must review internal control procedures to ensure compliance with the policyholder statement requirements of Title 31, Pennsylvania Code Chapter 82.

Company Response: The Company has reviewed the applicable procedures and determined they are sufficient to ensure compliance with requirements noted above. A reminder regarding the importance and necessity of associates to follow procedures will be sent.

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

Sincerely,

Bart Vitou
 Associate General Counsel