

J. Bart Vitou
Associate General Counsel
Compliance

April 21, 2010

Susan Ezalarab
Director, Bureau of Market Regulation
State of Wisconsin
Office of the Commissioner of Insurance
125 South Webster
Madison, WI 53707

Re: Report of Market Conduct Examination of Jackson National Life Insurance Company

Dear Ms. Ezalarab:

Jackson National Life Insurance Company (the "Company") is in receipt of the March 31, 2010 order of the Office of the Insurance Commissioner (OCI) and the accompanying Market Conduct Examination Report (Report). Jackson is in the process of complying with the recommendations outlined in the Report. As discussed during the course of the exam, many of the issues raised in the examination have already been addressed subsequent to the examination period or during the course of the exam. The required action plans will be submitted to the OCI in compliance with the time periods established in the order.

Jackson would like to take this opportunity to restate its previous responses to some of the issues raised in the Report.

Recommendation 1: It is recommended that the company cease using the term "advisor" in its template advertisement to prevent a possible violation of s. Ins. 2.15 (9) (c), Wis. Adm. Code.

Company Response: The term advisor was not shown in the invitation to the general public. This was an invitation that was created in a template format. At the time of use, the advisor would enter his or her name, their title and Company name in the template where the term "Advisor" was displayed. In the final document there would be no display of the term "Advisor". In addition, we note that we do not use the terms "financial planner, investment advisor, financial consultant, or financial counseling" within our document, which are the terms noted in the stated regulation. Based on the recommendations contained in the Report, we will amend the template to remove the word "Advisor."



Recommendation 2: It is recommended that the company develop, document and implement a process and procedure to ensure all advertisements, including dinner invitations and slide show presentations, include a statement of the fact that insurance would be discussed at the event, that individuals may be contacted by an insurance agent following the event, and the type of insurance that may be solicited as required by s. Ins 20.01 (4), Wis. Adm. Code.

Company Response: Forms XADV12391RGL01, CMC0264 and XADV14162 are invitations that were created in a template format. The seminars are educational in nature and no products are sold. The Company does not directly market annuity products through this invitation or the seminar materials referenced in the invitation.

Form XADV12178PPT is a PowerPoint presentation that is educational in nature and no products are discussed or sold. The Company does not directly market annuity products through this presentation.

In compliance with the recommendation, the Company will incorporate the statement recommended by OCI in these Forms.

Recommendation 3: It is recommended that the company develop, document and implement a process and procedure to ensure that all advertisements showing an advertised interest rate, also show the guaranteed interest rate with equal prominence as required by s. Ins 2.16 (24), Wis. Adm. Code.

Company Response: The advertisements at issue provide the guaranteed rate. The Company believes it is shown with equal prominence to the advertised rate. Specifically, the guaranteed interest rate is given equal prominence by having the guaranteed interest rate statement in bold and an asterisk placed next to the first year interest rate that directs the reader to the required information. Lastly, in addition to all of the information provided above, we direct the reader to contact their representative for more information about the product.

In compliance with the recommendation, the Company will revise its procedures related to advertised interest rates.

Recommendation 5: It is recommended that the company further enhance its producer monitoring program so that it is not solely based on company averages, and can better monitor and identify inappropriate replacement activity and when a high percentage of an agent's new annuity sales involves replacement, pursuant to s. Ins 2.07 (5), Wis. Adm. Code.

Company Response: Since January of 2008 the Company utilizes a monthly producer monitoring program to identify producers for review based on their percentage of replacement business and senior sales compared to company averages. This monthly monitoring program enhances the previous surveillance program focused on replacements. Agents may be marked for further surveillance



based upon these reports and the Company will review applicable application files. Agent monitoring is also facilitated through the Company's Customer Relations Department investigation of transactions when a complaint is filed

The Company will enhance this program as recommended in the Report.

Recommendation 8: It is recommended that the company develop, document and implement a process and written procedure to obtain with each new fixed and fixed indexed annuity application certain facts disclosed by the consumer as to his or her investments, other insurance products, and financial situation and needs, to ensure that before it issues a new fixed or fixed indexed annuity, there are reasonable grounds to believe that the recommendation to purchase or exchange an annuity is suitable for the consumer, as required by s. 628.347 (3), Wis. Stat.

Recommendation 9: It is recommended that the company develop, document and implement a process and written procedure to monitor and supervise the new fixed and fixed indexed annuity recommendations of its agents that include internal monitoring practices that are reasonably designed to assist in detecting and preventing unsuitable annuity sales as required by s. 628.347 (3), Wis. Stat.

Company Response: The Company has established a system, including written procedures and periodic reviews of its records, designed to detect and prevent violations of suitability statutes as required under Section 628.347(3). This system is applicable to new and replacement business. The Company's system establishes expectations for producers, provides producers with the tools to meet those expectations, requires producers to certify to compliance with the expectations, and includes surveillance and monitoring elements to determine compliance. Further, with respect to variable annuities and some fixed annuities, the Company utilizes the third party suitability certification program, as envisioned in the statutes. The company believes that this system meets the supervision requirements of s. 628.347(3), Wis. Stat. and s. Ins 2.07 (5), Wis. Adm. Code.

All producer selling agreements contain an Ethical Market Conduct Addendum that clearly states that the producer/agency/broker dealer agrees to provide customer focused sales and services that include a careful evaluation of each client's insurance needs and financial objectives.

The Company has taken several actions to inform producers of the necessity for agents to meet the company's suitability standards. First, all newly appointed independent insurance producers are provided a copy of and certify to the Company's Producer Compliance Manual (PCM). The PCM includes a section regarding client-focused sales and services that addresses the necessity of ensuring that each sale is suitable for the client's financial and insurance needs. The Company periodically reminds its producers of their responsibilities under the PCM and law.

The Company takes a number of steps to monitor compliance with suitability. First, the Company's annuity applications require the producer to certify that they believe the



transaction is suitable given the client's situation and needs. A Suitability Acknowledgement form is a good order requirement for all traditional fixed, fixed index and immediate annuity purchases or exchanges by a consumer of all ages. Consumers purchasing or exchanging traditional fixed, fixed index or immediate annuities are required to complete the Suitability Checklist contained in section 1 of the Suitability Acknowledgement form. If the consumer answers "no" to any of the questions in section 1 of the form, the file will be handled according to the New Business procedures. The producers responsible for such recommendations are required to certify in section 2 of the Suitability Acknowledgement form that they have "...reasonable grounds for believing the purchase or exchange of a fixed annuity is a suitable transaction" and the recommendation "...was based on facts disclosed by the Consumer as to their investments and other insurance products and their financial situation and needs." Alternatively, the consumer may choose to complete section 3 of the Suitability Acknowledgement Form, which indicates that they are acknowledging responsibility for the sale of the annuity contract. A Statement of Understanding is provided to all clients purchasing a fixed index annuity, which provides a detailed explanation of the product. The client is required to acknowledge that they have received the Statement of Understanding and understand the features of the product.

In addition, since January of 2008 the Company has utilized a monthly producer monitoring program to identify producers for review based on their percentage of replacement business and senior sales compared to company averages. This monthly monitoring program enhances the previous surveillance program focused on replacements. Agents may be marked for further surveillance based upon these reports and the Company will review applicable application files.

Finally, the company monitors transactions through post-sale contact with clients. Forty-five days after the issuance of each life insurance policy or fixed annuity contract, the Company sends to the owner a questionnaire designed to determine the customer's satisfaction with and understanding of their purchase. Each returned questionnaire is reviewed for possible follow-up items. This program has been in place since February of 1999.

The Company believes this current system complies with the statutory requirement to establish a system of supervision of agents under s. 628.347(3), Wis. Stat. and s. Ins 2.07 (5), Wis. Adm. Code. Recent changes to the NAIC Suitability in Annuity Transactions Model Regulation would require the type of review requested in the recommendations contained in the Report. The Company notes that legislation has been introduced in Wisconsin that would adopt the revised Model Regulation.

The Company will implement a program to enhance its suitability supervision program as requested by the recommendations in the Report.

The Company would like to thank the examiners for their professionalism and assistance during the examination process. The Company will provide additional correspondence within ninety (90) days of the adoption of the report to specifically describe how the Company has complied



with those recommendations contained in the report except for Recommendations 8 and 9. The Company will provide OCI with quarterly reports regarding its progress in complying with Recommendations 8 and 9 beginning on June 30, 2010. Please do not hesitate to contact me if you have any questions regarding this information.

Sincerely,

Bart Vitou
Associate General Counsel