

SEP 20 2007

DEPT OF INSURANCE  
BY CB

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:

**JACKSON NATIONAL LIFE INSURANCE COMPANY,**

NAIC # 65056,

Respondent

) Docket No. 07A-164-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Jackson National Life Insurance Company ("Jackson National"). The Report of Examination of the Market Conduct Affairs of Jackson National Life Insurance Company alleges that Jackson National has violated A.R.S. §§ 20-1233 (A), 20-1241.04 (B)(3), 20-1241.05 (C) and (G)(2), 20-1241.06 (A)(2) and 20-1242.02 (G).

Jackson National wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. Jackson National is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.

2. The Director authorized the Examiners to conduct a targeted market examination of Jackson National. The examination covered the time period from October 1, 2004 through March 31, 2005 and concluded on July 26, 2006. Based on the examination findings, the Examiners prepared the "Report of Targeted Examination of Jackson National Life Insurance Company", dated March 31, 2005.

1           3.     a.     Jackson National used 14 annuity application forms and one  
2 contract form that contained a Free Look notice that failed to included a statement  
3 notifying contract holders age 65 years or older on the date of the application that they  
4 had 30 days after delivery in which to return the annuity contract for a full refund of all  
5 monies paid;

6                   b.     Jackson National failed to maintain a system to review the  
7 appropriateness of each life replacement transaction for compliance with the  
8 Company's stated replacement policy on nine of the 28 life internal and external  
9 replacement files reviewed;

10                   c.     Jackson National failed to notify the existing insurer that may be  
11 affected by the proposed replacement within five business days of the receipt of a  
12 completed application indicating replacement on 13 of the 61 annuity external  
13 replacement files reviewed;

14                   d.     Jackson National failed to notify the applicant within ten days of  
15 the issuance of the contract that the producer made a representation that only  
16 approved sales materials were used and that the producer had provided copies of  
17 those sales materials to the applicant on 51 of the 82 annuity internal and external  
18 replacement files reviewed;

19                   e.     Jackson National used one notice that failed to advise the policy  
20 owner that the release of policy values may affect the guaranteed elements, non-  
21 guaranteed elements, face amount or surrender value of the policy from which the  
22 values are released;

23                   f.     Jackson National used three annuity disclosure documents that  
24 either failed to contain information relative to the federal tax status, or to contain the  
25 insurer's address and information relative to the Accelerated Benefit Rider.

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2 **CONCLUSIONS OF LAW**

3 1. Jackson National violated A.R.S. § 20-1233 (A) by using application  
4 forms that contained a Free Look notice that failed to included a statement notifying  
5 contract holders age 65 years or older on the date of the application that they had 30  
6 days after delivery in which to return the annuity contract for a full refund of all monies  
7 paid.

8 2. a. Jackson National violated A.R.S. § 20-1241.04 (B)(3) by failing to  
9 maintain a system to review the appropriateness of each life replacement transaction  
10 for compliance with the Company's stated replacement policy;

11 b. Jackson National violated A.R.S. § 20-1241.05 (C) by failing to  
12 notify the existing insurer that may be affected by the proposed replacement within five  
13 business days of the receipt of a completed application indicating replacement;

14 c. Jackson National violated A.R.S. § 20-1241.05 (G)(2) by failing to  
15 notify the applicant within ten days of the issuance of the contract that the producer  
16 made a representation that only approved sales materials were used and that the  
17 producer had provided copies of those sales materials to the applicant;

18 d. Jackson National violated A.R.S. § 20-1241.06 (A)(2) by failing to  
19 advise the policy owner that the release of policy values may affect the guaranteed  
20 elements, non-guaranteed elements, face amount or surrender value of the policy from  
21 which the values are released.

22 3. Jackson National violated A. R. S. § 20-1242.02 (G) by using annuity  
23 disclosure documents that either failed to contain information relative to the federal tax  
24 status, or to contain the insurer's address and information relative to the Accelerated  
25 Benefit Rider.

1 ORDER

2 **IT IS ORDERED THAT:**

3 1. Jackson National Life Insurance Company shall cease and desist from:

4 a. using application forms that contained a Free Look notice that failed  
5 to included a statement notifying contract holders age 65 years or older on the date of  
6 the application that they had 30 days after delivery in which to return the annuity  
7 contract for a full refund of all monies paid;

8 b. failing to maintain a system to review the appropriateness of each life  
9 replacement transaction for compliance with the Company's stated replacement policy;

10 c. failing to notify the existing insurer that may be affected by the  
11 proposed replacement within five business days of the receipt of a completed  
12 application indicating replacement;

13 d. failing to notify the applicant within ten days of the issuance of the  
14 contract that the producer made a representation that only approved sales materials  
15 were used and that the producer had provided copies of those sales materials to the  
16 applicant;

17 e. failing to advise the policy owner that the release of policy values may  
18 affect the guaranteed elements, non-guaranteed elements, face amount or surrender  
19 value of the policy from which the values are released;

20 f. using disclosure documents that either failed to contain information  
21 relative to the federal tax status, or to contain the insurer's address and information  
22 relative to the Accelerated Benefit Rider.

23 2. Within 90 days of filed date of this Order, Jackson National shall submit  
24 to the Arizona Department of Insurance, for approval, evidence that corrections have  
25 been implemented and communicated to the appropriate personnel, regarding all of


1 the items listed above in Paragraph 1 of the Order section of this Consent Order.  
2 Evidence of corrective action includes but is not limited to memos, bulletins, E-mails,  
3 correspondence, procedures manuals, print screens and training materials.

4 3. The Department shall be permitted, through authorized representatives,  
5 to verify that Jackson National has complied with all provisions of this Order.

6 4. Jackson National shall pay a civil penalty of \$39,000.00 to the Director  
7 for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil  
8 penalty shall be provided to the Market Conduct Examinations Section of the  
9 Department prior to the filing of this Order.

10 5. The Report of Examination of the Market Conduct Affairs of Jackson  
11 National Life Insurance Company dated March 31, 2005 including the letter submitted  
12 in response to the Report of Examination, shall be filed with the Department after the  
13 Director has filed this Order.

14 DATED Arizona this 17<sup>th</sup> day of September 2007.

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17 Christina Urias  
18 Director of Insurance

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**CONSENT TO ORDER**

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2 1. Jackson National Life Insurance Company has reviewed the foregoing  
3 Order.

4 2. Jackson National Life Insurance Company admits the jurisdiction of the  
5 Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and  
6 consents to the entry of the Conclusions of Law and Order.

7 3. Jackson National Life Insurance Company is aware of its right to a  
8 hearing, at which it may be represented by counsel, present evidence, and cross-  
9 examine witnesses. Jackson National Life Insurance Company irrevocably waives its  
10 right to such notice and hearing and to any court appeals related to this Order.

11 4. Jackson National Life Insurance Company states that no promise of any  
12 kind or nature whatsoever was made to it to induce it to enter into this Order and that it  
13 has entered into this Consent Order voluntarily.

14 5. Jackson National Life Insurance Company acknowledges that the  
15 acceptance of this Order by the Director of Insurance, State of Arizona, is solely to  
16 settle this matter against it and does not preclude any other agency or officer of this  
17 state or its subdivisions or any other person from any other civil or criminal  
18 proceedings, whether civil, criminal, or administrative, as may be appropriate now or in  
19 the future.

20 6. Julia A. Goatley, who holds the office of  
21 Vice President of Jackson National Life Insurance Company, is  
22 authorized to enter into this Order for it and on its behalf.

23  
24 **Jackson National Life Insurance Company**  
25 By: Julia A. Goatley  
Date 9/13/07

1 COPY of the foregoing mailed/delivered  
this 20th day of September , 2007, to:

- 2
- 3 Gerrie Marks  
Deputy Director
- 4 Mary Butterfield  
Assistant Director
- 5 Consumer Affairs Division
- 6 Paul J. Hogan  
Market Oversight Administrator
- 7 Market Oversight Division
- 8 Dean Ehler  
Assistant Director
- 9 Rates & Regulations Division
- 10 Steve Ferguson  
Assistant Director
- 11 Financial Affairs Division
- 12 Alan Griffieth  
Chief Financial Examiner
- 13 Alexandra Schafer  
Assistant Director
- 14 Life and Health Division
- 15 Terry L. Cooper  
Fraud Unit Chief

16 DEPARTMENT OF INSURANCE  
2910 North 44th Street, Suite 210  
17 Phoenix, AZ 85018

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20 Julia A. Goatley, Assistant Vice President, Compliance  
21 & Associate General Counsel  
Jackson National Life Insurance Company

22 1 Corporate Way  
23 Lansing, MI 48951

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