# Illinois Department of Insurance

**JB Pritzker**
**Governor**

**Dana Popish Severinghaus**
**Acting Director**

VIA ELECTRONIC MAIL

July 14, 2021

Mr. James R. Sopha, President
c/o Kristin Whipple
Jackson National Life Insurance Company
1 Corporate Way
Lansing, MI. 48951

**Re: Jackson National Life Insurance Company, NAIC 65056**
***Market Conduct Examination Report Closing Letter***

Dear Mr. Sopha:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer

Erica Weyhenmeyer
Chief Market Conduct Examiner
Illinois Department of Insurance
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# Illinois Department of Insurance

## Market Conduct Examination

## Jackson National Life Insurance Company

# MARKET CONDUCT EXAMINATION REPORT

| | |
|---|---|
| DATE OF EXAMINATION: | April 22, 2019 through February 10, 2021 |
| EXAMINATION OF: | Jackson National Life Insurance Co, NAIC Number: 65056 |
| LOCATION: | 1 Corporate Way, Lansing, MI. 48951 |
| PERIOD COVERED: | June 1, 2018 through May 31, 2019 – Claims<br>December 1, 2017 through May 31, 2019 – Complaints |
| EXAMINERS: | David Bradbury MCM, Examiner-in-Charge<br>Patricia Hahn MCM |

**INDEX**


I. FOREWORD 3

II. SCOPE OF THE EXAMINATION 4

III. SUMMARY 5

IV. BACKGROUND 6

V. METHODOLOGY 7

VI. SAMPLE SELECTION 8

VII. FINDINGS 9

a. Claims 9
   i. Paid Life
   ii. Annuity Death Settlements
   iii. Paid Disability
   iv. Paid Long Term Care
   v. Denied Long Term Care
   vi. Denied Accident
   vii. Paid Cancer
   viii. Denied Cancer
   ix. Paid Medical Expense
   x. Denied Medical Expense
   xi. Paid Medicare Supplement
b. Complaints 10
   i. Consumer Complaints
   ii. Department of Insurance Complaints
c. Policy Holder Services 10
   i. Annuity Cash Surrenders
   ii. Annuity New Business
   iii. Annuity Replacements
   iv. Annuity Declined
   v. ETI / RPU
   vi. Life Cash Surrenders
   vii. Producer Licensing
d. Policy Forms 10
   i. Policy Forms

## I. FOREWORD

This is a market conduct examination report of Jackson National Life Insurance Company (the "Company"), NAIC Code 65056. This examination was conducted at the offices of the Company at 1 Corporate Way in Lansing, Michigan and the office of the Illinois Department of Insurance in Springfield, Illinois.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance ("IDOI" or "Department").

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

## II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 101 et seq.), and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is June 1, 2018 through May 31, 2019 for claims, and December 1, 2017 through May 31, 2019 for complaints and appeals unless otherwise noted. Errors discovered during the examination that are outside of the exam period, may also be included in the report.

The examination involved the following business functions and lines of business: claim handling practices, policy forms and advertising in use, producer licensing, handling of consumer complaints, appeals, and Department complaints for all lines of business.

In performing this examination, examiners reviewed a sample of the Company's practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

## III. SUMMARY

The following represents general findings, however specific details are found in each section of the report.

| TABLE OF TOTAL VIOLATIONS | | | | | | | |
|---|---|---|---|---|---|---|---|
| Criticism | Crit # | Statute/Rule | Description of Violation | Population | Sample | # of Violations | Error % |
| Paid Disability | 116 | 50 IAC 919.70(a)(2) | Failed to provide the insured with the "Notice of Availability of the Department of Insurance" on the 45-day delay letter. | 27 | 27 | 1 | 4% |
| Paid Long Term Care | 103 | 215 ILCS 5/132(2) | Failed to provide claim files | 8 | 8 | 3 | 38% |
| Denied Long Term Care | 104 | 215 ILCS 5/132(2) | Failed to provide claim files | 4 | 4 | 1 | 25% |
| Paid Cancer | 85 | 215 ILCS 5/368a(c) | Failed to make payment of interest due in the amount of $3.35 | 1 | 1 | 1 | 100% |
| Denied Cancer | 87 | 50 IAC 919.70(a)(2) | Failed to provide the insured with the 45-day delay letter. | 1 | 1 | 1 | 100% |
| Denied Cancer | 88 | 215 ILCS 5/154.6(i) | Failed to provide affirm or deny within a reasonable time (30 days) | 1 | 1 | 1 | 100% |
| Paid Medical expense | 81 | 50 IAC 919.70(a)(2) | Failed to provide the insured with the 45-day delay letter. | 109 | 109 | 1 | 1% |
| Illinois Department of Insurance | 11 | 50 IAC 926.40(a) | Failed to respond to Department of Insurance complaints within 21 calendar days. | 35 | 35 | 1 | 3% |
| Annuity New Business | 113 | 215 ILCS 5/149(1) | Misrepresented the premium bonus in the sale of an annuity | 87 | 87 | 2 | 2% |
| Annuity Replacements | 15 & 94 | 50 IAC 917.70(c) | Failed to forward a copy of the notice (Exhibit B) regarding the proposed replacement. | 86 | 86 | 4 | 5% |
| Annuity Replacements | 16 | 50 IAC 917.60(a) & (b) | Failure to require replacement information signed by the agent and the applicant. On the application, as to whether any existing annuity will be replaced by the new policy. | 86 | 86 | 1 | 1% |

## IV. BACKGROUND

Jackson National Life Insurance Company (JNLIC) was incorporated in 1961 under the laws of the State of Michigan.

The company is authorized to transact life, variable life, annuity, variable annuity and disability insurance.

The Company is licensed in 49 states (not licensed in New York) and the District of Columbia. The Company also received premium on business in the following U.S. territories and foreign countries: U.S. Virgin Islands, Puerto Rico, Canada, Cayman Islands, Mexico, and various other countries.

The Company's products are distributed through a broad spectrum of financial services channels, including independent insurance agents and agencies, independent registered representatives of the Company's broker-dealer subsidiary, unaffiliated broker dealers, banks, and other financial institutions.

Jackson National Life Insurance Company 2018 - Illinois Premium

| Annuity Considerations | Life Insurance | Deposit-type Contract Funds |
|---|---|---|
| $868,114,160 | $37,550,797 | 10,124,494 |

## V. METHODOLOGY

The market conduct examination covered the business for the period of June 1, 2018 through May 31, 2019 for claims, and December 1, 2017 through May 31, 2019 for the complaint/appeal file review. Specifically, the examination focused on a review of the following areas:

a. Producer Licensing
b. Claims
c. Department Complaints and Consumer Appeals

The review of the categories was accomplished through examination of appointed and terminated producer files, claim files, and complaint files. Each of the categories was examined for compliance with Department regulations and applicable state laws.

The report concerns itself with improper practices performed by the Company which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid violations were cited in the report. The following methods were used to obtain the required samples and to assure a methodical selection:

Producer Licensing
New business was reviewed to determine if solicitations had been made by duly licensed persons.

Claims
a. Paid Claims – Payment for claims made during the examination period.
b. Denied Claims – Denial of benefits during the examination period for losses not covered by certificate of coverage provisions.

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and the Illinois Administrative Code (50 Ill. Admin. Code 101 et. seq.).

The Department defines due proof of loss as medical records, investigation materials, written proofs, claim forms, authorizations, or other reasonable evidence of claim that is ordinarily required of insureds or beneficiaries. The Department's position is that the 30 days to pay (31 days for interest) starts when the last proof required from the claimant (beneficiary), medical record, or investigation documentation is received by the Company.

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment or denial to the claimant. The period under review was June 1, 2018 through May 31, 2019

Department Complaints and Consumer Appeals
The Department requested the Company provide all files relating to complaints received via the Department of Insurance and those received directly from consumers. The Department also requested the Company provide files of all external independent reviews handled during the survey period.

Median periods were measured from the date of notification by the complainants to the date of response by the Company. The period under review was December 1, 2017 through May 31, 2019

## VI. SAMPLE SELECTION

| Survey | Population | Reviewed | % Reviewed |
|---|---|---|---|
| CLAIMS ANALYSIS | | | |
| Paid Life | 904 | 124 | 14% |
| Annuity Death Settlements | 1756 | 107 | 6% |
| Paid Disability | 27 | 27 | 100% |
| Paid Long Term Care | 8 | 8 | 100% |
| Denied Long Term Care | 4 | 4 | 100% |
| Denied Accident | 3 | 3 | 100% |
| Paid Cancer | 1 | 1 | 100% |
| Denied Cancer | 4 | 4 | 100% |
| Paid Medical Expense | 108 | 108 | 100% |
| Denied Medical Expense | 19 | 19 | 100% |
| Paid Medicare Supplement | 307 | 307 | 100% |
| COMPLAINTS | | | |
| Consumer Complaints | 162 | 162 | 100% |
| Department of Insurance Complaints | 35 | 35 | 100% |
| POLICYHOLDER SERVICES | | | |
| Annuity Cash Surrenders | 3770 | 115 | 3% |
| Annuity New Business | 481 | 86 | 18% |
| Annuity Replacements | 337 | 86 | 26% |
| Annuity Declined | 8 | 8 | 100% |
| ETI-RPU | 159 | 159 | 19% |
| Life Cash Surrenders | 870 | 116 | 13% |
| PRODUCER LICENSING | | | |
| Agents | 1179 | 1179 | 100% |
| POLICY FORMS AND ADVERTISING | | | |
| Policy Forms | 51 | 51 | 100% |

## VII. FINDINGS

a. Claims

i. Paid Life

1. 124 files were reviewed. No exceptions were noted.
2. The median for payment was nine days.

ii. Annuity Death Settlements

1. 107 files were reviewed. No exceptions were noted.
2. The median for settlement was nine days.

iii. Paid Disability

1. In one instance out of 27 files reviewed for an error percentage of 4%, the Company failed to provide "Notice of Availability of the Department of insurance" on the 45-day delay letter. This is a violation of 50 IAC 919.70(a)(2).
2. The median for settlement was 15 days.

iv. Paid Long Term Care

1. In three instances out of eight files selected for review, 38% were either missing or incomplete in violation of 215 ILCS 5/132(2).
2. A median could not be established.

v. Denied Long Term Care

1. In one instance out of four files reviewed, one was either missing or incomplete in violation of 215 ILCS 5/132(2).
2. A median could not be established.

vi. Denied Accident

1. Three files were reviewed. No exceptions were noted.
2. The median for denial was nine days.

vii. Paid Cancer

1. In one instance out of one claim reviewed an interest underpayment was identified.

| Criticism | Amount | Statute Rule | Description of Violation |
|---|---|---|---|
| PH 85 | $3.35 | 215 ILCS 5/368a(c) | Failed to pay interest of $3.35 when a payment was delayed beyond 30 days. |

2. The median could not be established.

viii. Denied Cancer

1. In one instance out of one file reviewed for an error percentage of 100%, the Company failed to provide the 45-day delay letter. This is a violation of 50 IAC 919.70(a)(2).
2. In one instance out of one file reviewed for an error percentage of 100%. The Company was criticized for failing to affirm or deny coverage within 30 days. This is a violation of 215 ILCS 5/154,6(i), as clarified further by Section 919.50 of 50 Ill. Adm. Code 919.50.
3. A median could not be established.

ix. Paid Medical Expense

1. In one instance out of 108 files reviewed for an error percentage of 1%, the Company failed to provide the 45-day delay letter. This is a violation of 50 IAC 919.70(a)(2).
2. The median was ten days.

x. Denied Medical Expense

1. 19 files were reviewed. No exceptions were noted.
2. The median for payment was one day.

xi. Paid Medicare Supplement

1. 307 files were reviewed. No exceptions were noted.
2. The median for payment was four days.

b. Complaints
    i. Consumer Complaints
        1. 162 files were reviewed. No exceptions were noted.
        2. The median for response was eight days.
    ii. Department of Insurance Complaints
        1. In one instance of 35 files reviewed, the Company failed to respond to the Department of Insurance within the required time of 21 days in violation of 50 IAC 926.40(a).
        2. The median for response to the Department was ten days.
c. Policy Holder Services
    i. Annuity Cash Surrenders
        1. 114 files were reviewed. No exceptions were noted.
        2. The median for surrender was the same day.
    ii. Annuity New Business
        1. In two instances of 87 files were reviewed, the Company misrepresented the premium bonus in the sale of an annuity in violation of 215 ILCS 5/149(1).
    iii. Annuity Replacements
        1. In one instance out of 86 files reviewed for an error percentage of 1%, the Company was criticized for failure to require a statement or application signed by the agent in violation of 50 IAC 50 Ill. Adm. Code 917.70(c).
    iv. Annuity Declined
        1. Eight files were reviewed. No exceptions were notes.
    v. ETI / RPU
        1. 159 non-forfeiture files were reviewed. No exceptions were noted.
    vi. Life Cash Surrenders
        1. 116 files were reviewed. No exceptions were noted.
    vii. Producer Licensing
        1. A review of 1179 agents was performed.
        2. No exceptions were noted.
d. Policy Forms and Advertising
    i. Policy Forms
        1. Review of the 13 Illinois life and annuity policy forms filed produced no criticisms. The balance were Interstate Compact and Illinois forms outside the scope of the exam.
        2. No exceptions were noted.

IN THE MATTER OF:

**JACKSON NATIONAL LIFE INSURANCE COMPANY**
**1 CORPORATE WAY**
**LANSING, MI 48951**

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Jackson National Life Insurance Company ("the Company"), NAIC 65056, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of December 1, 2017 through May 31, 2019, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and

2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide to the Director convenient and free access at all reasonable hours at its office or any other location, to all books, records, documents, and any or all papers relating to the business, performance, operations, and affairs of the company. 215 ILCS 5/132(2)

2. Institute and maintain policies and procedures whereby the Company shall provide the payee, interest at the rate of 9% per year from the 30th day after receipt of such proof of loss to the date of late payment. 215 ILCS 5/368a(c)

3. Institute and maintain policies and procedures whereby the Company shall provide the insured or, when applicable, the insured's beneficiary, with a reasonable written explanation for the delay. 50 IAC 919.70(a)(2)

4. Institute and maintain policies and procedures whereby the Company shall affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed. 215 ILCS 5/154.6(i)

5. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within 30 days of execution of this Order.

6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of $2,500.00 to be paid within 10 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of JACKSON NATIONAL LIFE INSURANCE COMPANY

Signature

HEIDI L. KAISER

Name

VP, Chief Compliance Officer

Title

ABIGAIL C FRANKE
County of Clinton
NOTARY PUBLIC
Expires 10-26-2025
STATE OF MICHIGAN

Subscribed and sworn to before me this 2 day of June 2021.

Abigail C. Franke

Notary Public

DEPARTMENT OF INSURANCE of the State of Illinois:

DATE June 11, 2021

Dana Popish Severinghaus
Acting Director