NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

JACKSON NATIONAL LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2011
DATE OF REPORT:	MAY 29, 2013

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EXAMINER:	EDMUND TAGOE

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 6, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30814, dated May 3, 2012 and annexed hereto, an examination has been made into the condition and affairs of Jackson National Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 2900 Westchester Avenue, Purchase, New York 10577.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Section 1202(b)(2) of the New York Insurance Law when its Audit and Compensation Committee failed to perform its required responsibilities. (See item 3E of this report)
- The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish the insurer whose coverage was being replaced a copy of any proposal, including the sales material used in the sale of the proposed annuity contract, and the completed Disclosure Statement within ten days of receipt of the application. (See item 7A of this report)
- The Company violated Section 3214(c) of the New York Insurance Law by not computing interest at the rate in effect from the date of death of the insured to the date of payment and also by paying incorrect benefit amounts due three claimants. (See item 7C of this report)
- The Company violated Section 403(d) of the New York Insurance Law by utilizing a claim form that does not contain the required fraud warning statement. (See item 7C of this report)
- The Company violated Section 2112(d) of the New York Insurance Law when it failed to file with the superintendent within thirty days a statement, in such form as the superintendent may prescribe, the facts relative to such termination for cause. (See item 8 of this report)
- The Company violated Section 2114(a) (1) of the New York Insurance Law when it paid commission to unlicensed broker/dealers. (See item 8 of this report)
- The Company violated Section 4228(f)(1)(B) of the New York Insurance Law by not including the value of the Company’s matching payments to agents in its filings to the Department as required by Section 4228. (See item 9 of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2011 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2009 through December 31, 2011. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2011 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

The examination was coordinated in conjunction with the examination of the insurer's parent, Jackson National Life Insurance Company ("JNL"). The coordinated examination was led by the State of Michigan "Michigan" with participation from New York. Since the insurer and its parent share common controls and management, and Michigan is accredited by the NAIC, it was deemed appropriate to rely on the work performed by Michigan.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2009 through 2011, by the accounting firm of KPMG. The Company received an unqualified opinion in all the years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's parent has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and voluntary compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). The Company follows the same control processes as the parent and where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on July 11, 1995 under the name First Jackson National Life Insurance Company and commenced business on August 16, 1996. Initial resources of $8,000,000 consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $6,000,000 were provided by the Company's parent, Jackson National Life Insurance Company ("JNL").

In 1997, the Company formally changed its name to Jackson National Life Insurance Company of New York.

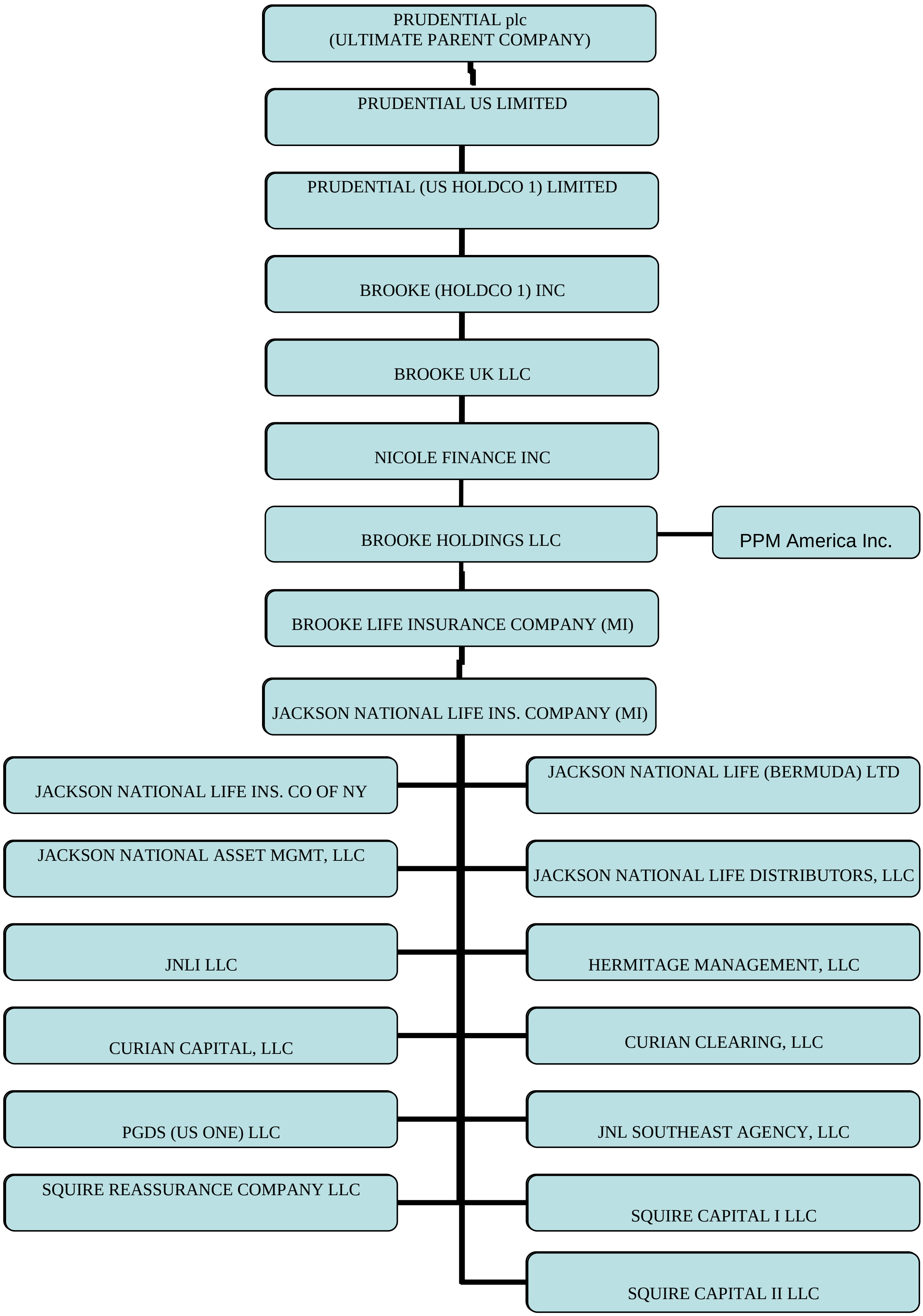
JNL made a contribution to the Company's paid in surplus of $75 million in 2009. As of December 31, 2011, the Company's capital and paid in and contributed surplus were $2,000,000 and $484,961,576, respectively.

B. Holding Company

The Company is a wholly owned subsidiary of JNL, a Michigan insurer. JNL is in turn a wholly owned subsidiary of Brooke Life Insurance Company, a Michigan insurer, which was formed by Prudential, plc, after it acquired JNL in 1986**.** Prudential, plc, a multi-national financial services company headquartered in London, England, is the second largest life assurance company in the United Kingdom and one of the leading financial services organizations in the world. JNL is the United States operating arm of Prudential, plc.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2011 follows:


PRUDENTIAL plc
(ULTIMATE PARENT COMPANY)
PRUDENTIAL US LIMITED
PRUDENTIAL (US HOLDCO 1) LIMITED
BROOKE (HOLDCO 1) INC
BROOKE UK LLC
NICOLE FINANCE INC
BROOKE HOLDINGS LLC
PPM America Inc.
BROOKE LIFE INSURANCE COMPANY (MI)
JACKSON NATIONAL LIFE INS. COMPANY (MI)
JACKSON NATIONAL LIFE INS. CO OF NY
JACKSON NATIONAL LIFE (BERMUDA) LTD
JACKSON NATIONAL ASSET MGMT, LLC
JACKSON NATIONAL LIFE DISTRIBUTORS, LLC
JNLI LLC
HERMITAGE MANAGEMENT, LLC
CURIAN CAPITAL, LLC
CURIAN CLEARING, LLC
PGDS (US ONE) LLC
JNL SOUTHEAST AGENCY, LLC
SQUIRE REASSURANCE COMPANY LLC
SQUIRE CAPITAL I LLC
SQUIRE CAPITAL II LLC

D. Service Agreements

The Company had four service agreements in effect with affiliates during the examination period.

Type of Agreement and Dept. File No.	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services 24644	11/03/97	JNL	The Company	Accounting, Tax and Auditing; Underwriting; Claims; Marketing and Product Development; Functional Support; Payroll; Personnel; Policyholder Services; Telephone	2009 $(5,830,608) 2010 $(6,980,955) 2011 $(8,152,881)
Special Compensation, Consolidation and Cost Allocation 27718	12/31/99	JNL/The Company	JNL/The Company	Special compensation for the managers employed by JNL and the Company	2009 $ (94,045) 2010 $(115,617) 2011 $ 85,280
Administrative Services and Expense Allocation 27719	12/31/99	Jackson National Life Distributors, Inc.	The Company	Product development, distribution and marketing services	2009 $(2,309,921) 2010 $(2,524,129) 2011 $(3,110,101)
Investment Advisory Agreement 22542C & 22542D Amended and Restated Investment Advisory Agreement 38130	05/16/96; Amended and Restated Agreement effective 03/25/08	PPM America, Inc	The Company	Investment Services	2009 $(1,157,627) 2010 $(1,221,439) 2011 $(1,309,582)

*Amount of Income or (Expense) Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 21 directors. The by-laws also provide that if admitted assets exceed $1.5 billion during any calendar year, then the number of directors shall be increased to not less than 13 within one year following the end of such calendar year. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2011, the board of directors consisted of 13 members. Meetings of the board are held in March, June, September and December.

The 13 board members and their principal business affiliation, as of December 31, 2011, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John H. Brown East Lansing, MI	Vice President Jackson National Life Insurance Company of NY	2004
Joseph M. Clark Okemos, MI	Senior Vice President & Chief Information Officer Jackson National Life Insurance Company of NY	2011
John C. Colpean* Haslett, MI	Principal Colpean & Associates PC	2007
Michael A. Costello East Lansing, MI	Vice President and Treasurer Jackson National Life Insurance Company of NY	2011
Donald T. DeCarlo* Douglaston, NY	Chairman and President AMCOMP	1999
Julia A. Goatley Okemos, MI	Vice President and Senior General Counsel Jackson National Life Insurance Company of NY	2004
Donald B. Henderson Jr.* Bronxville, NY	Partner Wilkie Farr & Gallagher, LLP	1995
Clifford J. Jack Cherry Hills, CO	Chairman, Executive Vice President & Head of Retail Jackson National Life Insurance Company of NY	2011

Name and Residence	Principal Business Affiliation	Year First Elected
Herbert G. May III Waban, MA	Chief Administrative Officer Jackson National Life Insurance Company of NY	2001
Thomas J. Meyer East Lansing, MI	Senior Vice President, General Counsel and Secretary Jackson National Life Insurance Company of NY	1995
David L. Porteous* Reed City, MI	Partner McCurdy, Wotila & Porteous, PC	1995
Laura L. Prieskorn Eaton Rapids, MI	Senior Vice President Jackson National Life Insurance Company of NY	2010
Gary H. Torgow* Oak Park, MI	Chief Executive Officer Sterling Group	2005

* Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2011:

Name	Title
Michael A. Wells	President & Chief Executive Officer
James R. Sopha	Chief Operating Officer
Paul C. Myers	Executive Vice President & Chief Financial Officer
Herbert G. May, III	Chief Administrative Officer
Richard D. Ash	Senior Vice President, Chief Actuary & Appointed Actuary
Joseph M. Clark	Senior Vice President & Chief Information Officer
Thomas J. Meyer	Senior Vice President, General Counsel & Secretary
Michael A Costello	Vice President and Treasurer
Julia A. Goatley*	Vice President & Assistant Secretary

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

In July 2012, Richard David Ash replaced Lisa Carol Drake as Senior Vice President and Chief Actuary.

Section 1202(b)(2) of the New York Insurance Law states, in part:

> “(2) The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the company's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed by such committee or committees to be principal officers of the company and recommending to the board of directors the selection and compensation of such principal officers …”

The Company established an independent Audit and Compensation Committee to perform the functions required pursuant to Section 1202(b)(2) of the New York Insurance Law. The examiner reviewed the minutes of the Audit and Compensation Committee. The minutes revealed that the Committee reviewed and discussed internal audit activities and reports, and recommended to the board of directors individuals to be elected officers of the Company. However, the examiner did not identify in the minutes reviewed any evidence that, during the examination period, the Committee performed the following functions:

- recommended the selection of independent certified public accountants;
- reviewed the Company's financial condition;
- evaluated the performance of officers deemed by the committee to be principal officers of the company and recommended to the board of directors the compensation of such principal officers;
- reviewed the scope and results of the independent audit;
- nominated candidates for director for election by shareholders.

The Company violated Section 1202(b)(2) of the New York Insurance Law when its Audit and Compensation Committee failed to: recommend the selection of independent certified public accountants; review the Company's financial condition; evaluate the performance of officers deemed by the committee to be principal officers of the company and recommend to the board of directors the compensation of such principal officers; review the scope and results of the independent audit; and nominate candidates for director for election by shareholders.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in three states, namely Delaware, Michigan and New York**.** In 2011, 91.4% of life premiums, 97.9% of annuity considerations and all deposit type funds were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2011, the Company had $500,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

B. Direct Operations

The Company writes primarily individual variable annuities, as well as a modest amount of individual fixed annuities. In 2011, 97.5% of its new premium was derived from the sale of individual annuities and 2.5% was from group annuities.

The Company's products are sold through three distribution channels: independent agents and brokers; financial institutions; and broker-dealers.

C. Reinsurance

As of December 31, 2011, the Company had reinsurance treaties in effect with 10 companies, of which eight were authorized or accredited. The Company's life business is reinsured on a coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis. The Guaranteed Minimum Income Benefit on various Variable Annuity contracts is reinsured with ACE Tempest Re on a quota share basis. The New York Guaranteed Minimum Withdrawal Benefit risk inforce on variable annuity policies is reinsured with JNL on a coinsurance basis.

The maximum retention limit for individual life contracts is $200,000. The total face amount of life insurance ceded as of December 31, 2011, was $255,573,949 which represents 78% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies totaling $41,168,470 was supported by a trust agreement. The trust agreement was filed with and approved by the Department on March 3, 2009. The Company did not assume any reinsurance during the examination period.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2008	December 31, 2011	Increase (Decrease)
Admitted assets	$2,681,811,018	$5,136,973,153	$2,455,162,135
Liabilities	$2,587,148,797	$4,868,467,166	$2,281,318,369
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	409,961,576	484,961,576	75,000,000
Additional admitted deferred tax assets per three year reversal	0	2,776,068	2,776,068
Unassigned funds (surplus)	(317,299,355)	(221,231,657)	96,067,698
Total capital and surplus	$ 94,662,221	$ 268,505,987	$ 173,843,766
Total liabilities, capital and surplus	$2,681,811,018	$5,136,973,153	$2,455,162,135

The increase in admitted assets and liabilities were primarily due to the increase in sales of variable annuities in 2010 and 2011.

The increase in gross paid in and contributed surplus of $75 million is due to a capital contribution in 2009 from its parent, JNL.

The increase in additional admitted deferred tax assets resulted from the tax change in 2009 pursuant to SSAP No. 10R.

The increase in unassigned funds is primarily due to increase in net income for the three year period of $104.6 million.

The majority (67.2%) of the Company's admitted assets, as of December 31, 2011, was derived from separate accounts.

The Company's invested assets as of December 31, 2011, exclusive of separate accounts, were mainly comprised of bonds (93.6%).

The majority (95.6%) of the Company's bond portfolio, as of December 31, 2011, was comprised of investment grade obligations.

The following is the net gain from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2009	2010	2011
Ordinary:			
Life insurance	$ 27,928	$ 141,170	$ 20,383
Individual annuities	45,558,442	44,403,751	10,599,071
Total ordinary	$45,586,370	$44,544,921	$10,619,454
Group annuities	$ 8,214,867	$ 7,104,666	$ 6,871,361
Total	$53,801,237	$51,649,587	$17,490,815

The increase in ordinary life income in 2010 is primarily due to a decrease in death benefits paid. Individual annuity income decreased from 2010 to 2011 due to the lower market performance compared to 2010.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2011, as contained in the Company's 2011 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2011 filed annual statement.

A. Independent Accountants

The firm of KPMG was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

KPMG concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$1,549,655,321
Stocks:	
Preferred stocks	92,820
Common stocks	361,527
Cash, cash equivalents and short term investments	62,768,474
Contract loans	269,254
Receivable for securities	40,000,000
Securities lending reinvested collateral assets	2,540,000
Investment income due and accrued	17,221,987
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(1,937,583)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	17,067
Reinsurance:	
Amounts recoverable from reinsurers	5,004
Funds held by or deposited with reinsured companies	3,875
Other amounts receivable under reinsurance contracts	6
Current federal and foreign income tax recoverable and interest thereon	2,915,848
Net deferred tax asset	10,896,060
Receivables from parent, subsidiaries and affiliates	327,108
Department assessment on deposit	859,000
From separate accounts, segregated accounts and protected cell accounts	3,450,977,385
Total admitted assets	$5,136,973,153

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$1,527,682,802
Liability for deposit-type contracts	10,361,880
Contract claims:	
Life	26,730,297
Contracts received in advance	6,121
Commissions to agents due or accrued	1,516,570
General expenses due or accrued	1,415,133
Transfers to separate accounts due or accrued	(162,546,902)
Taxes, licenses and fees due or accrued, excluding federal income taxes	388,193
Amounts withheld or retained by company as agent or trustee	326,701
Remittances and items not allocated	2,451,946
Miscellaneous liabilities:	
Asset valuation reserve	5,892,134
Payable for securities lending	2,540,000
Escheat escrow liability – outstanding checks	94,060
Interest payable on contract claims	630,846
From Separate Accounts statement	3,450,977,385
Total liabilities	$4,868,467,166
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	$ 484,961,576
Additional admitted DTA per three year reversal	2,776,068
Unassigned funds (surplus)	(221,231,657)
Surplus	$ 266,505,987
Total capital and surplus	$ 268,505,987
Total liabilities, capital and surplus	$5,136,973,153

D. Condensed Summary of Operations

	2009	2010	2011
Premiums and considerations	$784,024,510	$1,063,478,268	$1,103,849,682
Investment income	79,373,962	85,677,283	84,438,580
Commissions and reserve adjustments on reinsurance ceded	82,768	61,127	63,077
Miscellaneous income	34,132,253	56,066,710	83,485,809
Total income	$897,613,493	$1,205,283,388	$1,271,837,148
Benefit payments	$383,930,074	$ 305,699,590	$ 387,791,859
Increase in reserves	(60,719)	127,799,232	69,606,734
Commissions	52,221,192	72,714,887	77,147,207
General expenses and taxes	12,253,855	13,571,192	15,180,938
Increase in loading on deferred and uncollected premiums	30,658	(56,783)	(15,648)
Net transfers to Separate Accounts	376,641,441	624,982,738	700,596,407
Total deductions	$825,016,501	$1,144,710,856	$1,250,307,497
Net gain	$ 72,596,992	$ 60,572,532	$ 21,529,651
Federal and foreign income taxes incurred	18,795,755	8,922,945	4,038,836
Net gain from operations before net realized capital gains	$ 53,801,237	$ 51,649,587	$ 17,490,815
Net realized capital gains (losses)	(9,064,683)	(7,725,932)	(1,552,616)
Net income	$ 44,736,554	$ 43,923,655	$ 15,938,199

The increase in premiums and considerations reported in 2010 and 2011 were primarily a result of growth in annuity sales. These increased sales in turn led to an increase in total general account reserves of $127.8 million in 2010. The difference in increase in reserves from 2010 to 2011 was primarily due to lower fixed annuity sale.

The increase in Separate Account transfers during the examination period was due to increased variable annuity sales and a higher percentage of new premiums being allocated to the separate accounts as equity markets continued to improve.

The decrease in income from operations before income taxes in 2011 was primarily due to lower growth in equity markets.

E. Capital and Surplus Account

	2009	2010	2011
Capital and surplus, December 31, prior year	$ 94,662,221	$212,409,044	$256,110,719
Net income	$ 44,736,554	$ 43,923,655	$ 15,938,199
Change in net unrealized capital gains (losses)	(12,491,526)	5,993,559	1,477,547
Change in net deferred income tax	4,058,150	(15,588,902)	224,791
Change in non-admitted assets and related items	8,345,440	11,226,751	(1,262,568)
Change in asset valuation reserve	(54,830)	(1,853,388)	(3,982,701)
Cumulative effect of changes in accounting principles	(1,846,965)	0	0
Paid in surplus adjustments	75,000,000	0	0
Net change in capital and surplus for the year	$117,746,823	$ 43,701,675	$ 12,395,268
Capital and surplus, December 31, current year	$212,409,044	$256,110,719	$268,505,987

E. Actuarial Review

As stated earlier, the 67.2% of the Company's admitted assets as of December 31, 2011 were derived from separate accounts. This separate account activity is mainly generated from the variable annuity guarantee block of business, which has been increasing each year, and exposes the Company to additional risks.

In light of the amount of this business in relation to the total business and the size of the Company, the examiner recommends that the Company consider limiting its exposure to these risks.

7. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

1. Section 51.6(b) of Department Regulation No. 60 states, in part:

> "Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall: . . .
>
> (4) Within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed 'Disclosure Statement . . ."

The examiner reviewed a sample of 40 annuity replacement transactions that were processed by the Company during the exam period. The sample comprised of 30 external and 10 internal replacements respectively. There were no life replacement transactions during the exam period.

1. In five out of 30 (16.7%) external replacement transactions reviewed, the Company took longer than ten days after receipt of the application to furnish the insurer whose coverage was being replaced a copy of the proposal, including sales material used in the sale of the proposed annuity contract, and the completed Disclosure Statement. The Company took an average of 22 days to furnish the information.

The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish the insurer whose coverage was being replaced a copy of any proposal, including the sales material used in the sale of the proposed annuity contract, and the completed Disclosure Statement within ten days of receipt of the application.

2. In all 30 external annuity replacement transactions reviewed, the examiners noted that the final notification the Company sent to the replaced insurer of the possible replacement of the annuity contract did not indicate what information was being provided to the replaced insurer. As a result, the examiners were unable to determine whether a copy the proposal, including the sales material used in the sale of the proposed annuity contract, and the completed disclosure statement were furnished to the replaced company.

The examiner recommends that the Company indicate the items that are being provided along with the letter to the insurer whose policy is being replaced.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

1. Section 3214(c) of the New York Insurance Law states:

> "If no action has been commenced, interest upon the principal sum paid to the beneficiary or policyholder shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of the death of an insured or annuitant in connection with a death claim on such a policy of life insurance or contract of annuity and from the date of maturity of an endowment contract to the date of payment and shall be added and be a part of the total sum paid."

1 The examiner reviewed a sample of 32 Fixed Annuity death claims that were processed during the examination period. In 19 out of 32 (59%) Fixed Annuity death claims reviewed, the Company underpaid the interest due to the claimants.

The Company violated Section 3214(c) of the New York Insurance Law by not computing interest at the rate in effect from the date of death of the insured to the date of payment.

As a result of the aforementioned examination findings involving violations of Section 3214(c) of the New York Insurance Law, the examiner directed the Company to perform a review of all death claims paid from January 1, 2009 through the current period and identify claimants and/or beneficiaries who were impacted by the Company's procedure regarding interest on proceeds calculation and pay the amount due if any.

The examiner recommended that the Company pay the identified claimants and/or beneficiaries who were paid using the interest rate of 1% during the examination and pay the amount due if any. The Company should re-calculate the interest on the identified death claims using the interest rate that was in effect (4%) prior to the change. Any amount owed based on the Company's calculation should be paid to the claimants and/or beneficiaries.

The Company subsequently paid the claimants and/or beneficiaries the additional interest owed and provided copies of cancelled checks as evidence of payment for a sample of policies.

2. The pre-examination letter requested listing of the interest rates paid on proceeds left under the interest settlement option, death claims and supplementary contracts during the examination period and the corresponding board approvals. In response to this request, the Company stated that the interest rate on proceeds left under the interest settlement option was 4% during the exam period. A review of a sample of 41 death claims paid during the examination revealed 19 instances where the Company used an interest rate of 1% to compute interest on death claim proceeds. The Company indicated that the interest rate on proceeds was changed from 4% to 1% on May 28, 2010 for policy types that do not specify an interest rate in the policy. The Company also stated that the board of Jackson National Life of New York did not approve the change from 4% to 1% for interest on proceeds.

The examiner recommends that, going forward, the Company pay interest on death claim proceeds at the rate of interest currently paid on proceeds left under the interest settlement option pursuant to Section 3214(c) of the New York Insurance Law.

3. Section 403(d) of the New York Insurance Law states, in part:

> "All applications for commercial insurance, individual, group or blanket accident and health insurance and all claim forms…shall contain a notice in a form approved by the superintendent that clearly states in substance the following: 'Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."

The examiner reviewed 10 Extended Care Benefit Requests (waiver of fees) claims that were processed during the examination period. In seven of the 10 Extended Care Benefit Requests (waiver of fees) claims reviewed, the claim form utilized by the Company did not have the required fraud warning statement.

The Company violated Section 403(d) of the New York Insurance Law by utilizing a claim form that does not contain the required fraud warning statement.

In four of the 7 Extended Care Benefit Requests (waiver of fees) claims reviewed above, the claim form used identified the Company's parent, Jackson National Life as the insurer. The Company is not referenced on the forms.

The examiner recommends that, going forward, the Company identify the insurer of record on all claim forms.

8. AGENCY OPERATIONS

1. Section 2112(a) of the New York Insurance Law states, in part:

> "Every insurer … doing business in this state shall file a certificate of appointment in such form as the superintendent may prescribe in order to appoint insurance agents to represent such insurer …"

The examiner reviewed a sample of appointed agents to determine whether the Company filed with the Superintendent the appointment certificates as required, and whether such notices were transmitted in a timely manner. For two of 20 (10%) appointments reviewed, the Company failed to file a certificate of appointment with the superintendent.

The Company violated Section 2112(a) of the New York Insurance Law when it failed to file the agents' appointment certificates with the Superintendent.

2. Section 2112(d) of the New York Insurance Law states, in part:

> "Every insurer … doing business in this state shall, upon termination of the certificate of appointment of any insurance agent licensed in this state, forthwith file with the superintendent a statement, in such form as the superintendent may prescribe, of the facts relative to such termination and the cause thereof…"

The examiner reviewed a sample of terminated agents to determine whether the Company filed all terminations with the Superintendent as required, and whether such notices were transmitted in a timely manner. For 18 of 55 (32.7%) terminations reviewed, the Company failed to file the termination of appointment with the superintendent.

The Company violated Section 2112(d) of the New York Insurance Law when it failed to notify the Superintendent of the agents' terminations.

Additionally, The Company failed to file a statement with the superintendent within thirty days, of the facts relative to such termination for cause of five agents during the examination period.

The Company's violated Section 2112(d) of the New York Insurance Law when it failed to file a statement with the superintendent within thirty days, in such form as the superintendent may prescribe, of the facts relative to such termination for cause.

3. A review of the active and terminated agents' file revealed that five of the terminated agents were reported as active and an instance where an active agent was not reported in the Company's agent data file.

The examiner recommends that the Company update its agent files to reflect the correct status of its agents.

4. Section 2114(a)(1) of the New York Insurance Law states, in part:

> "No insurer . . . doing business in this state shall pay any commission or other compensation to any person, firm or corporation, for any services in obtaining in this state any new contract of life insurance or any new annuity contract, except to a licensed life insurance agent of such insurer or . . . to an insurance broker . . ."

During the review of commissions it was determined that 67 unlicensed broker/dealers were paid commission.

The Company violated Section 2114(a)(1) of the New York Insurance Law when it paid commission to unlicensed broker/dealers.

9. AGENT COMPENSATION

Section 4228(f)(1)(B) of the New York Insurance Law states, in part:

> "Flings are required on or before the effective date of any changes to compensation arrangements as defined in this section, or to plans described in paragraphs one and two of subsection (g) of this section. These filings shall consist of a summary of information in enough detail to generally describe the filing's contents."

The examiner's review of the minutes of the meetings of the board of directors revealed that the board approved a Producers Deferred Compensation Plan ("the Plan"). The Company stated in its response to the examiner's request regarding the Plan that it made matching contributions during 2009, 2010 and 2011, and recorded deferred compensation expenses of $2,561, $31,296 and $33,682 during 2009, 2010 and 2011, respectively. Additionally, the Company indicated that these amounts were inadvertently not reported in Note 12(D) of the Notes to Financial Statements.

The Company confirmed that each of the three versions of the Plan is not qualified under any section of the Internal Revenue Code. Furthermore, the Plan provides for cash distributions of the agent's entire account balance – including the portion attributable to the Company's matching contributions, upon the agent's termination of employment for reasons other than death, disability, or retirement.

The Company violated Section 4228(f)(1)(B) of the New York Insurance Law by not including the value of the Company's matching payments to agents in any Section 4228 filing to the Department.

The examiner recommends that the Company exercise greater care when preparing "Notes to Financial Statements" and make the appropriate Section 4228 filings with respect to its deferred compensation plans going forward.

10. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1202(b)(2) of the New York Insurance Law when its Audit and Compensation Committee failed to: recommend the selection of independent certified public accountants; review the Company's financial condition; evaluate the performance of officers deemed by the committee to be principal officers of the company and recommend to the board of directors the compensation of such principal officers; review the scope and results of the independent audit; and nominate candidates for director for election by shareholders.	11
B	The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish the insurer whose coverage was being replaced a copy of any proposal, including the sales material used in the sale of the proposed annuity contract, and the completed Disclosure Statement within ten days of receipt of the application.	21
C	The examiner recommends that the company limit its exposure to risks generated from the variable annuity guarantee block of business in light of the amount of this business in relation to the total business and the size of the Company.	
D	The examiner recommends that the Company indicate the items being provided along with the letter being furnished to the insurer whose policy is being replaced.	21
E	The Company violated Section 3214(c) of the New York Insurance Law by not computing interest at the rate in effect from the date of death of the insured to the date of payment and also by paying incorrect benefit amounts due three claimants.	22
F	The examiner recommends that, going forward, the Company pay interest on death claim proceeds at the rate of interest currently paid on proceeds left under the interest settlement option pursuant to Section 3214(c) of the New York Insurance Law.	23
G	The Company violated Section 403(d) of the New York Insurance Law by utilizing a claim form that does not contain the required fraud warning statement.	23

Item	Description	Page No(s).
H	The examiner recommends that, going forward, the Company identify the insurer of record on all claim forms.	23
I	The Company violated Section 2112(a) of the New York Insurance Law when it failed to file the agents' appointment certificates with the Superintendent.	24
J	The Company violated Section 2112(d) of the New York Insurance Law when it failed to notify the Superintendent of the agents' terminations.	24
K	The Company's violated Section 2112(d) of the New York Insurance Law when it failed to file with the superintendent within thirty days a statement, in such form as the superintendent may prescribe of the facts relative to such termination for cause.	25
L	The examiner recommends that the Company update its data files to reflect the correct status of its agents.	25
M	The Company violated Section 2114(a)(1) of the New York Insurance Law when it paid commission to unlicensed broker/dealers.	25
N	The Company violated Section 4228(f)(1)(B) of the New York Insurance Law by not including the value of the Company's matching payments to agents in any Section 4228 filing to the Department.	26
O	The examiner recommends that the Company exercise greater care when preparing the "Notes to Financial Statements" and make the appropriate Section 4228 filings with respect to its deferred compensation plans going forward.	26

Respectfully submitted,

/s/

Edmund Tagoe
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Edmund Tagoe, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/

Edmund Tagoe

Subscribed and sworn to before me

APPOINTMENT NO. 30814

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

EDMUND TAGOE

as a proper person to examine the affairs of the

JACKSON NATIONAL LIFE INSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 3rd day of May, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU