

**[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE (CIC) SECTION 12938,
THIS REPORT WILL BE MADE PUBLIC AND PUBLISHED ON THE
CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]**

**WEBSITE PUBLISHED REPORT OF THE
MARKET CONDUCT EXAMINATION OF THE
CLAIMS HANDLING, RATING, AND UNDERWRITING PRACTICES OF**

**JEFFERSON NATIONAL LIFE INSURANCE COMPANY
NAIC # 64017 CDI # 1682-4**

AS OF APRIL 30, 2013

ADOPTED OCTOBER 22, 2015

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION**

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

TABLE OF CONTENTS

SALUTATION	1
FOREWORD.....	2
SCOPE OF THE EXAMINATION.....	3
EXECUTIVE SUMMARY	4
RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS	5
DETAILS OF THE CURRENT EXAMINATION	6
SUMMARY OF EXAMINATION RESULTS	9

DEPARTMENT OF INSURANCE

Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814



October 22, 2015

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under the California Insurance Code Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04; and California Code of Regulations Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a), a limited examination was made of the claims handling, rating, and underwriting practices and procedures in California of:

**Jefferson National Life Insurance Company
NAIC # 64017**

Hereinafter, the Company listed above also will be referred to as JNLIC or the Company.

This report is made available for public inspection and is published on the California Department of Insurance website (www.insurance.ca.gov) pursuant to California Insurance Code section 12938(b)(1).

FOREWORD

This limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company's annuity line of business during the period May 1, 2012 through April 30, 2013. The limited examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

This report pertains to Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq.

The report does not present a comprehensive overview of the subject insurer's practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer's proposals for correcting the deficiencies. When identified violations result in payments by the Company to policyholders or claimants, those amounts paid are identified as recoveries in this report. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Company's responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of specified guidelines, procedures, and forms adopted by the Company for use in California.
2. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about this Company closed by the CDI during the period May 1, 2012 through April 30, 2013; and a review of reports on the previous CDI market conduct examination of this Company; and a review of prior CDI enforcement actions.

This limited examination was conducted at the offices of the California Department of Insurance in Los Angeles, California.

EXECUTIVE SUMMARY

This desk examination was limited in scope to market analysis information, including California consumer complaint information, to national enforcement activity and to information provided by the Company in response to the Department's data request.

The primary finding resulting in alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq. that was identified in the course of the examination was the Company's failure to provide certification that JNLIC's claims agents have been trained as required by law. Details of the finding are provided in the Summary of Examination Results section of this report.

Jefferson National Life Insurance Company reported \$29,470,391 in written premiums on Annuity Line of Business insurance coverage in California during 2011. The Company closed 357 Annuity Line of Business claims during 2011.

RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS

Except as noted below in the complaints, the results of the market analysis did not identify any specific issues of concern within the scope of this report.

Within the scope of this report, the Company was the subject of two California consumer complaints and inquiries closed from May 1, 2012 through April 30, 2013, in regard to the line of business reviewed in this examination. No complaints were justified. There were no specific areas of concern identified in the complaint review.

The previous examination was completed by the Field Claims Bureau and reviewed the period from July 1, 2007 through June 30, 2008. The most significant noncompliance issue identified in the previous examination report and within the scope of this report was the Company's failure to train claims adjusters.

The Department has taken no prior enforcement actions against the Company.

DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Company’s responses, within the scope of this report, to the Department’s data request and the alleged violations under Section 790.03 and title 10, California Code of Regulations, Section 2695 et al., that resulted from the review of that data. All “NO” answers in the Areas of Review table are addressed in the Summary of Examination Results section of this report. A summary of each of the laws cited due to a “NO” answer is provided in the Cited Statutes and Regulations table.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Certification of claims training by a principal – CCR §2695.6(b) [CIC §790.03(h)(3)]	NO	1
Copy of written standards for claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	--
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43 [CIC §790.03(h)(3)]	YES	--
Compliance of letters and forms – CIC §1879.2(a) [CIC §790.03(h)(3)]	YES	--
Compliance with representation of policy provisions and benefits – CCR §2695.4 [CIC §790.03(h)(1), (3), and (13)]	YES	--
Compliance with requirements to respond within 15 calendar days of communication – CCR §2695.5(b) [CIC §790.03(h)(2)]	YES	--
Compliance with immediately transmitting notice of claim to the insurer – CCR §2695.5(d) [CIC §790.03(h)(3)]	YES	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with providing an explanation of benefits with each claim payment – CCR §2695.11(b) [CIC §790.03(h)(3)]	YES	--
Compliance with reimbursement requirements – CCR §2695.11(g) [CIC §790.03(h)(3)]	*N/A	--
Compliance with requirements for acknowledgement of claims CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	--
Compliance with requirements for reasonable assistance – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	YES	--
Compliance with requirements for investigation of claim – CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to pay statutory interest from date of death for claims on contracts with a situs of California - CIC §10172.5(a) [CIC §790.03(h)(5)]	YES	--
Compliance to pay within 30 days of death of insured – CIC §10172.5(b) [CIC §790.03(h)(5)]	YES	--
Compliance with requirements to disclose statutory rate of interest – CIC §10172.5(c) [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to explain settlement options – CCR §2695.4(a) [CIC §790.03(h)(1)]	YES	--
Compliance with required disclosure when a retained asset account is a settlement option – CIC §10170(f) and §10509.933 [CIC §790.03(h)(1)]	YES	--
Compliance with required written disclosures prior to establishment of retained asset account – CIC §10509.937 [CIC §790.03(h)(1)]	YES	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with providing supplemental contract when life insurance benefits are provided through a retained asset account – CIC §10509.935 [CIC §790.03(h)(1)]	YES	--
Compliance with statements for retained asset accounts – CIC §10509.936 [CIC §790.03(h)(1)]	YES	--
Compliance with requirement to reference a CDI review on denial letters – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	YES	--

*N/A – Not applicable; the Company indicates that this law is not relevant to its particular claims handling, rating or underwriting practice.

CITED STATUTES AND REGULATIONS	
Citation	Description
CCR §2695.6(b) *[CIC §790.03(h)(3)]	All licensees shall provide thorough and adequate training regarding the regulations to all their claims agents. Licensees shall certify that their claims agents have been trained regarding these regulations and shall demonstrate compliance with this requirement as outlined in this subsection.

***DESCRIPTORS OF APPLICABLE UNFAIR CLAIMS SETTLEMENT PRACTICES**

CIC §790.03(h)(3)

The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies.

SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the practices, within the scope of this report, that were alleged to be non-compliant during the course of this limited examination. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695.0 et seq.

In response to each of the Department's allegations of non-compliance, the Company was required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Company is obligated to ensure that compliance is achieved and maintained.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Company was asked if it intends to take appropriate corrective action in all jurisdictions where applicable. The Company indicates that it will implement the corrective actions in all jurisdictions where applicable.

Within the scope of this report, there were no claims recoveries or return premium as a result of the issues described in this report.

ANNUITY

1. The Company failed to maintain the required Certification of Compliance with regard to the California Fair Claims Settlement Practice Regulations. The certification shall be maintained at the principal place of business of the licensee, and the principal of the Company shall certify under penalty of perjury on or before September 1 of each calendar year that thorough and adequate training was provided to all its claims agents. The Department alleges this act is in violation of CCR §2695.6(b) and is an unfair practice under CIC §790.03(h)(3).

Summary of Company Response: Jefferson National has added an item to the annual compliance calendar which will serve as an annual reminder to obtain the required certification of compliance. A principal of the Company will certify on or before September 1 of each calendar year that thorough and adequate training was provided to all its claims agents.