Jackson National Life Insurance Company®
Insuring your financial future.®

Economic and Investment Review

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PRUDENTIAL

OVERVIEW

- Liability Profile
- Strategic Asset Allocation
- Investment Policy
- Major Product Risks
- Hedging Approach
- Risk Analysis

LIABILITY PROFILE

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($millions)

Category	12/31/95 Amount	12/31/95 %	6/30/05 Amount	6/30/05 %
Annuities with Book Value Surrender	$15,521	70.9%	$18,592	33.8%
Annuities with MVA	1,211	5.5%	5,778	10.5%
Fixed Indexed Annuities	0	0.0%	3,518	6.4%
Other	705	3.2%	1,132	2.1%
Total General Account Annuities	$17,437	79.6%	$29,020	52.8%
Life Insurance	4,349	19.9%	6,939	12.7%
Institutional Products	100	0.5%	7,716	14.1%
Total General Account	$21,886	100.0%	$43,675	79.6%
Separate Account (VA)	1	0.0%	11,160	20.4%
Total Statutory Reserves	$21,887	100.0%	$54,835	100.0%

General account annuities are net of GMDB reinsurance. Life insurance reserves are before reinsurance.
Data is consolidated to include Jackson National of New York and Life of Georgia.

PRUDENTIAL

STRATEGIC ASSET ALLOCATION

- Model liabilities with potential asset portfolios to establish a constrained best-fit investment policy
- Constraints
  - Must support spread lending business model
  - Must be consistent with available capital (rating agency and economic)
  - Must consider liquidity needs of the liabilities
  - Must be investable by PPMA
- Resulting policy can then be used as a benchmark to manage credit and interest rate risk
- Periodic analysis to re-validate investment policy

INVESTMENT POLICY

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- Why benchmark the portfolio?
  - Provides an anchor for investment decisions and a clearly defined risk profile
  - Modified total return approach allows for a process more grounded in economics and risk-adjusted thinking
    - Total return approach is modified to adapt to spread-based model with constraints on turnover, gains, asset allocation and other factors
  - Allows for quantitative assessment of portfolio manager
  - Better represents the investable universe
  - Provides a more scaleable policy
  - Trading flexibility allows for greater diversification

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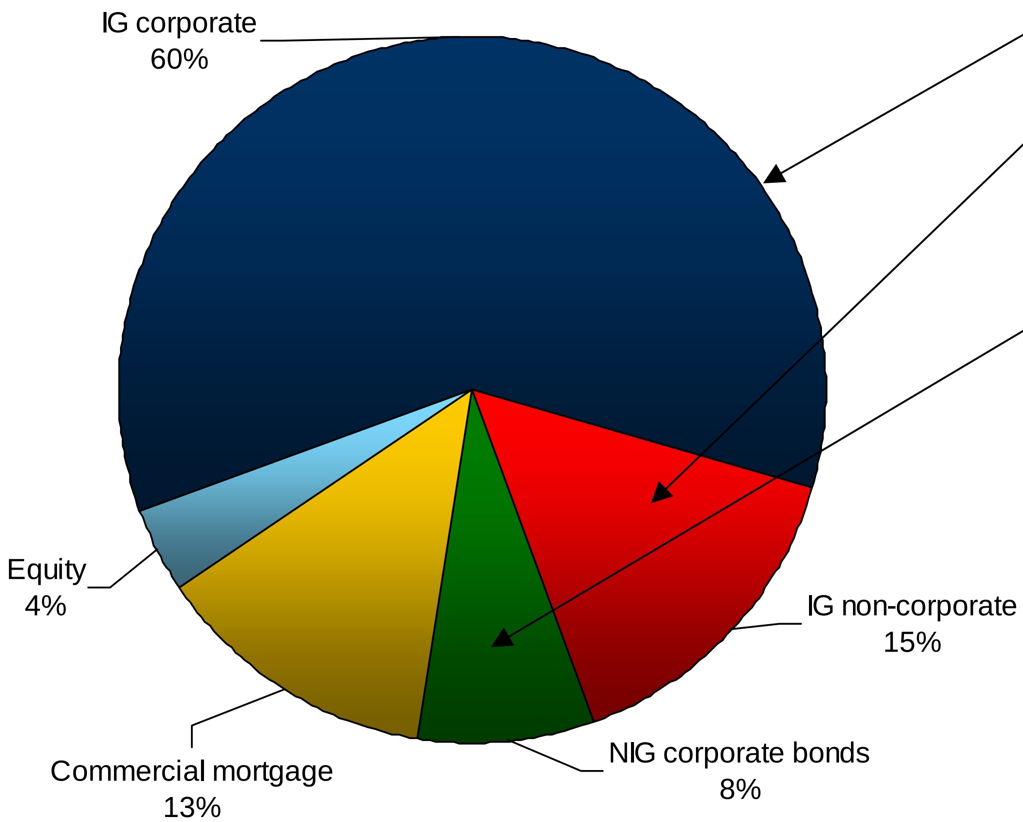
INVESTMENT POLICY

- Benchmark constraints
  - Large issuer caps
  - Small issuer floors
  - Maturities of 1-10 years
- Policy limits
  - “Soft” issuer limits set by credit rating
    - Need Investment Committee approval to exceed
  - “Hard” issuer limits set by credit rating
    - Can’t be exceeded without a modification to the Policy
  - Asset class maximums
    - High yield – 10%
    - Commercial real estate – 20%
    - MBS – 20%

INVESTMENT POLICY

NEUTRAL BENCHMARK PORTFOLIO



Investment Grade Bonds

- Split 60% “BBB” and 40% “A”
- Non-corporate bonds includes MBS, CMBS and ABS

Non-investment Grade Corporate Bonds

- Split 70% "BB" and 30% "B"

Higher than industry allocation to “BBB” bonds due to higher mix of spread based business than peers.

MAJOR PRODUCT RISKS

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Product Type	Risk Type	Exposure (30 June, 2005)	Mitigant
Fixed Annuities	Minimum guarantee	$25.5 billion statutory reserves net of reinsurance	• Low absolute guarantee (1.5%-3%) • Duration management
Fixed Annuities	High interest rate surrenders	$25.5 billion statutory reserves net of reinsurance	• Duration management • Surrender charges • MVAs • Swaptions
Fixed Indexed Annuities	Index participation	$3.5 billion account value	• Hedging
Variable Annuities	Guaranteed minimum death benefits (GMDB)	$1.6 billion net amount at-risk (NAR)	• Time diversification • Mortality-based risk • Hedging • Pricing
Variable Annuities	Guaranteed minimum income benefits (GMIB)	$1.58 billion net premium in force	• Reinsurance
Variable Annuities	Guaranteed minimum withdrawal benefits (GMWB)	$2.93 billion net premium in force	• Time diversification • Hedging • Pricing
Institutional	Floating rate exposure	$7.7 billion statutory reserves	• Internal derivatives desk • Interest rate swaps

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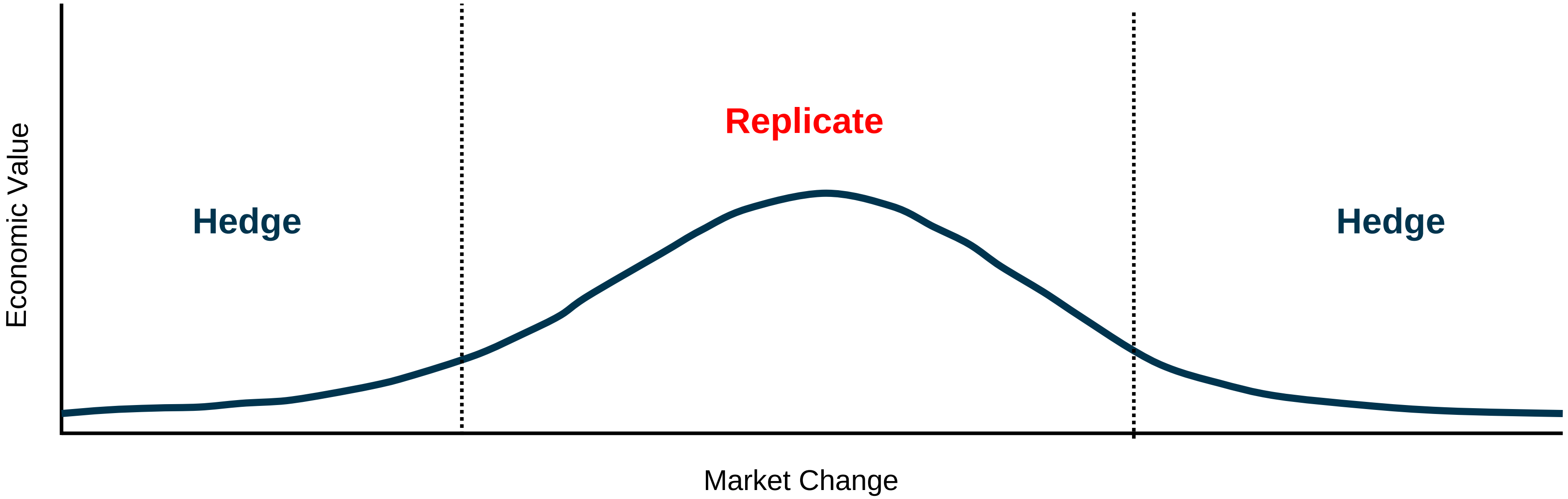
HEDGING APPROACH

- Manage all market risk within acceptable policy limits
  - Not an immunization strategy
    - Immunization is typically too costly and often unnecessary
    - Inability to know policyholder behavior in advance requires flexibility to rebalance hedges
  - Opportunity to profit from market dislocations (within policy limits)
    - Replication can add substantial value in periods of high volatility
  - Investment policy has specific limits for various market risks
    - 5% limit for economic equity risk (i.e. direct equity and off-balance sheet)
    - Maximum duration mismatch of one year
    - Additional limits for curve risk, spread duration, liquidity etc.

HEDGING APPROACH

- Eliminate exposure to tail risk
  - Limits are set with market shocks in mind
  - Extensive use of options to eliminate exposure to large market moves
    - Replication strategies can break down in market distress
    - JNL uses replication more for the body of the distribution



HEDGING APPROACH

- All hedging done on a macro basis to maximize economic efficiency
  - Internal Derivative Desk (IDD) established to trade exposures across accounts
    - Offsets among FIAs and VAs
    - Offsets between fixed annuity and institutional blocks
    - Offsets across VA and fixed annuity blocks
  - JNL hedges one net position for each risk on an external basis
    - Internal trading saves substantial transaction costs
    - Correct economic answer
    - Unified view of risk
    - Accounting regimes not friendly to this approach

RISK ANALYSIS

EQUITY EXPOSURE OF EMBEDDED LIABILITIES (NET OF HEDGES)

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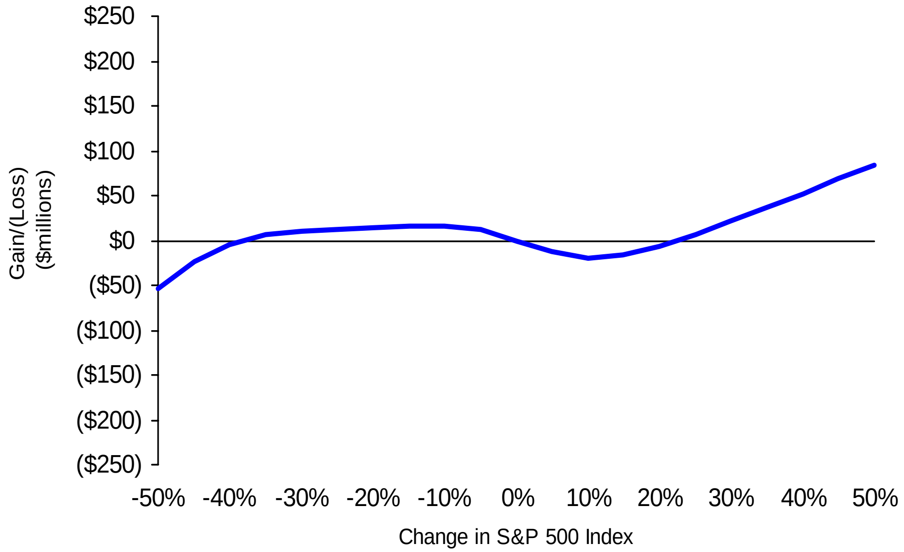
- FIA exposures in increasing market
- VA exposures in decreasing market
- Partial offset of exposures
- Hedges address balance of risk



Note: Results as of 9/30/05.

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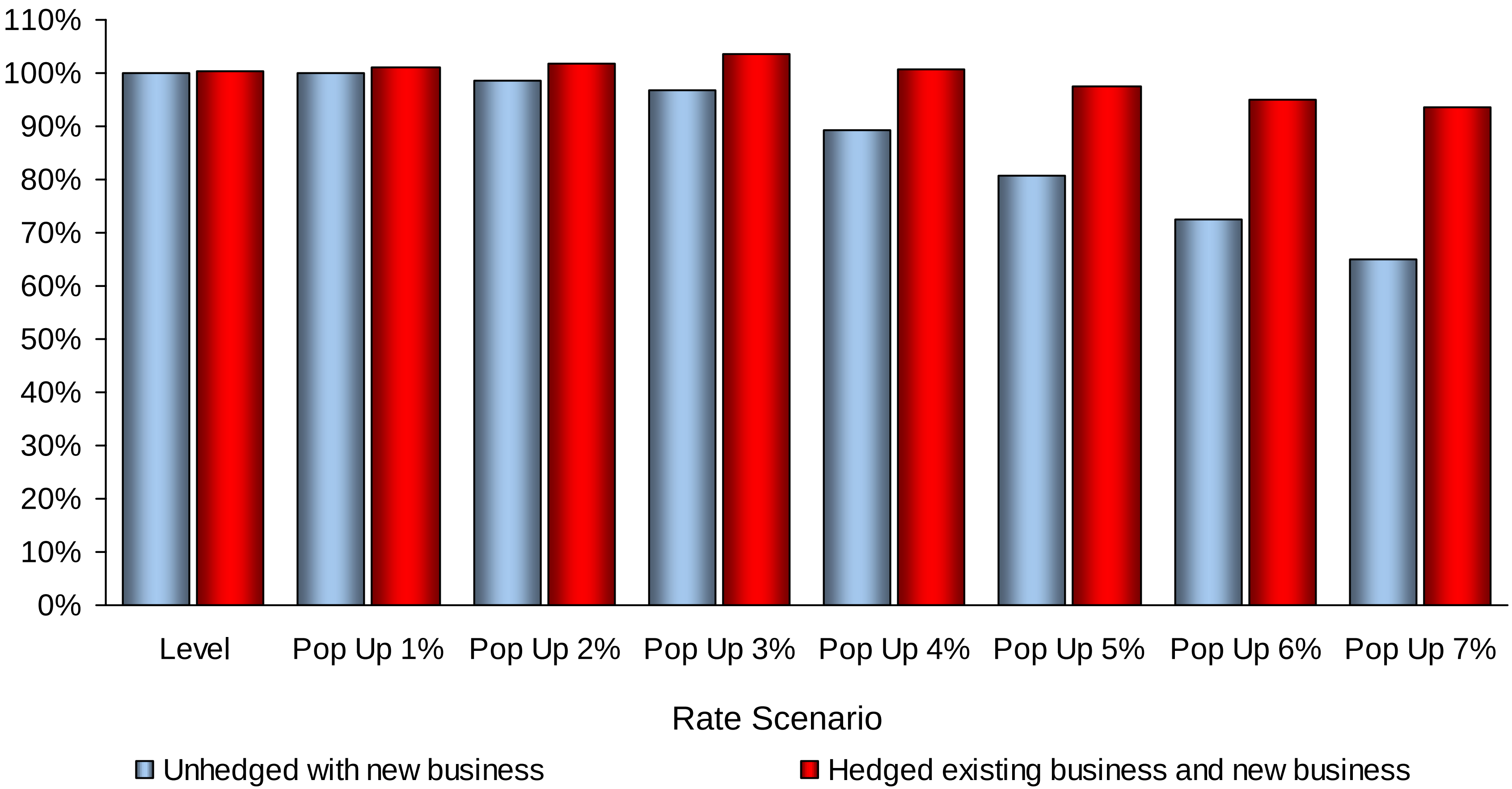
RISK ANALYSIS

INTEREST RATE EXPOSURE INCLUDING NEW BUSINESS

PV of Incremental Market Surplus (shown as % of level unhedged)



Note: Does not include initial surplus. Results as of 12/31/04.

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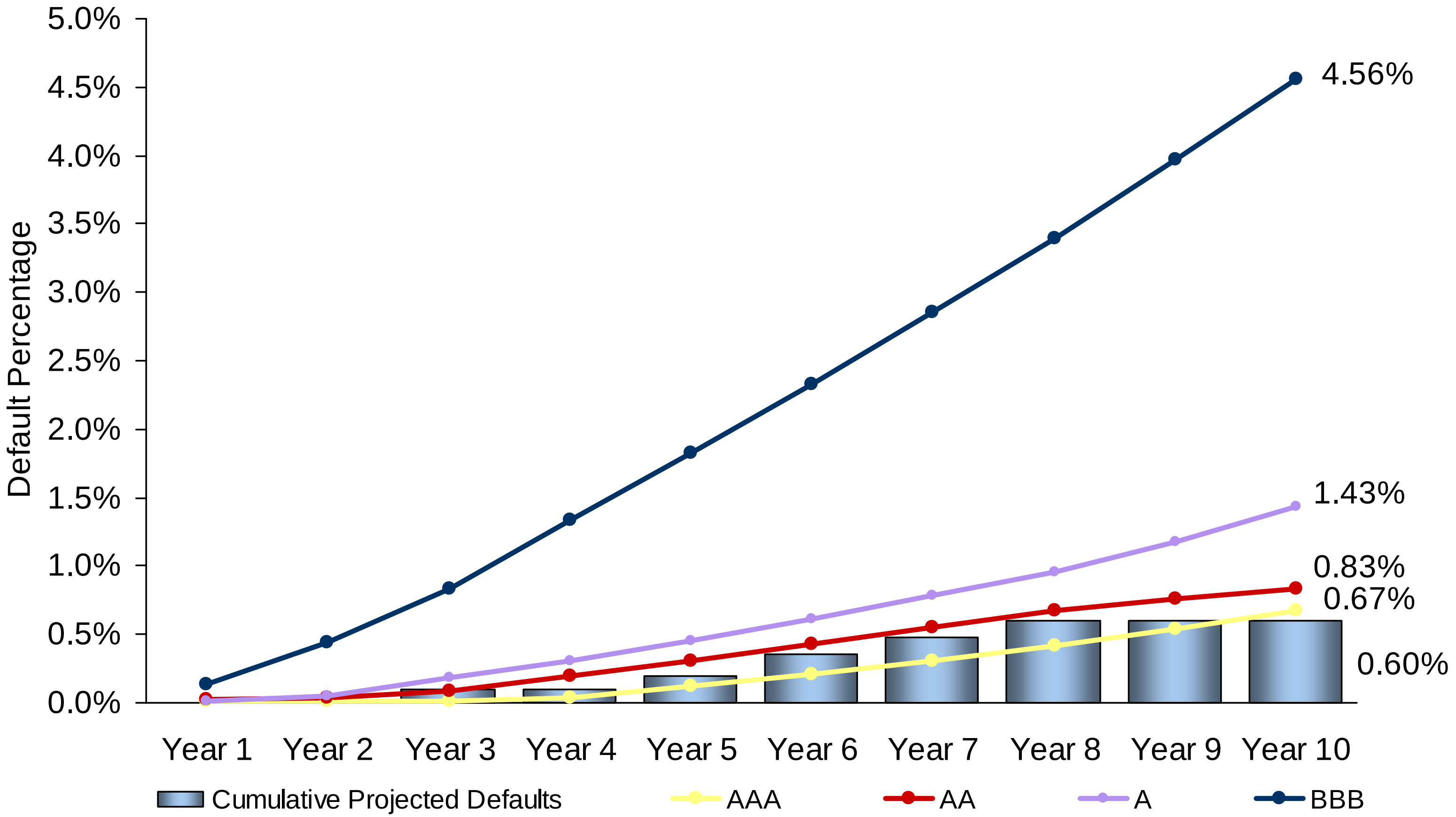
RISK ANALYSIS

ECONOMIC CAPITAL

”AA” Initial Capital: $1.9 billion



Note: Results as of 12/31/04.

RISK ANALYSIS

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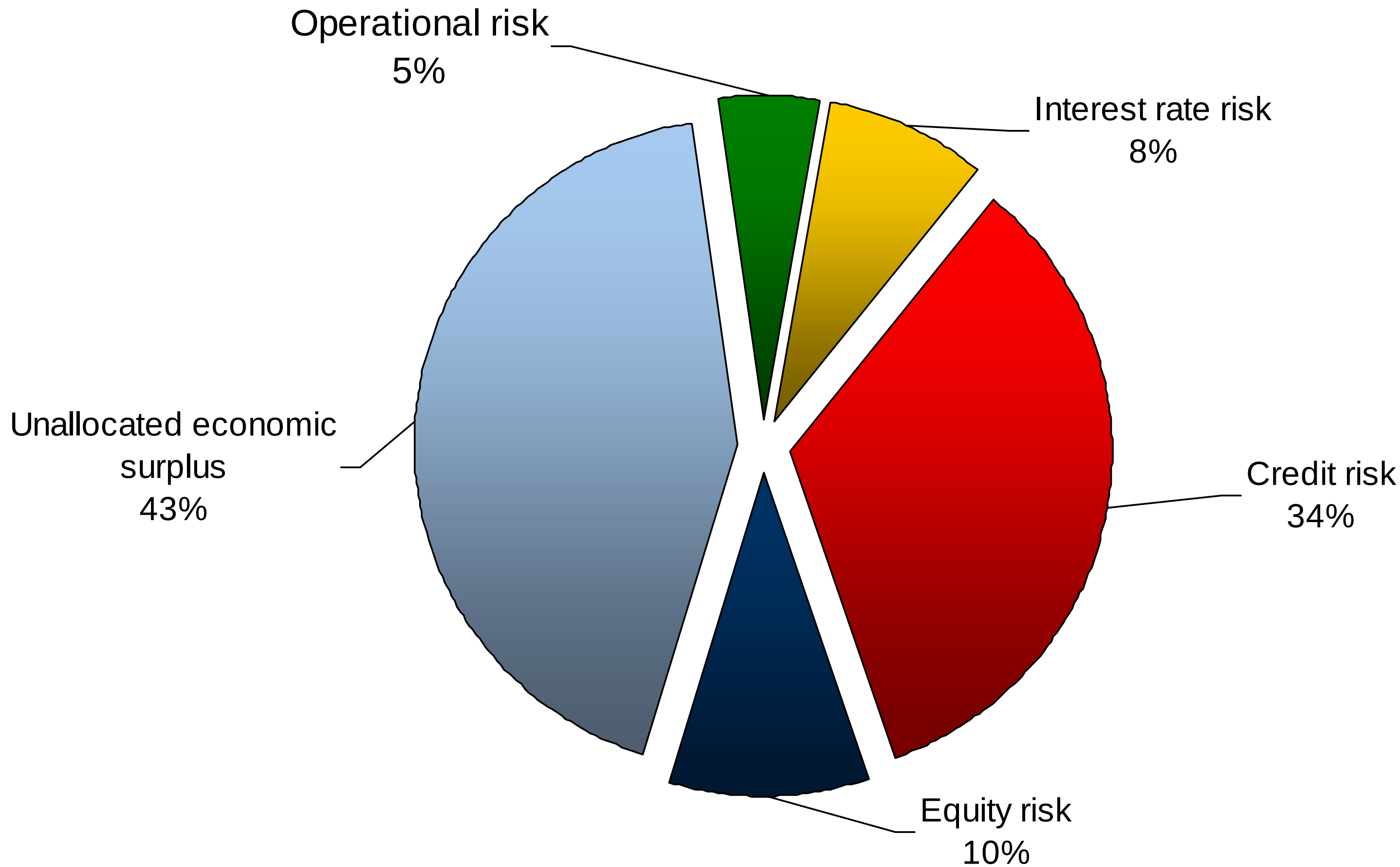
ECONOMIC CAPITAL ("AA" CALIBRATION)



Based on pretax figures as of 12/31/04.

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RISK ANALYSIS

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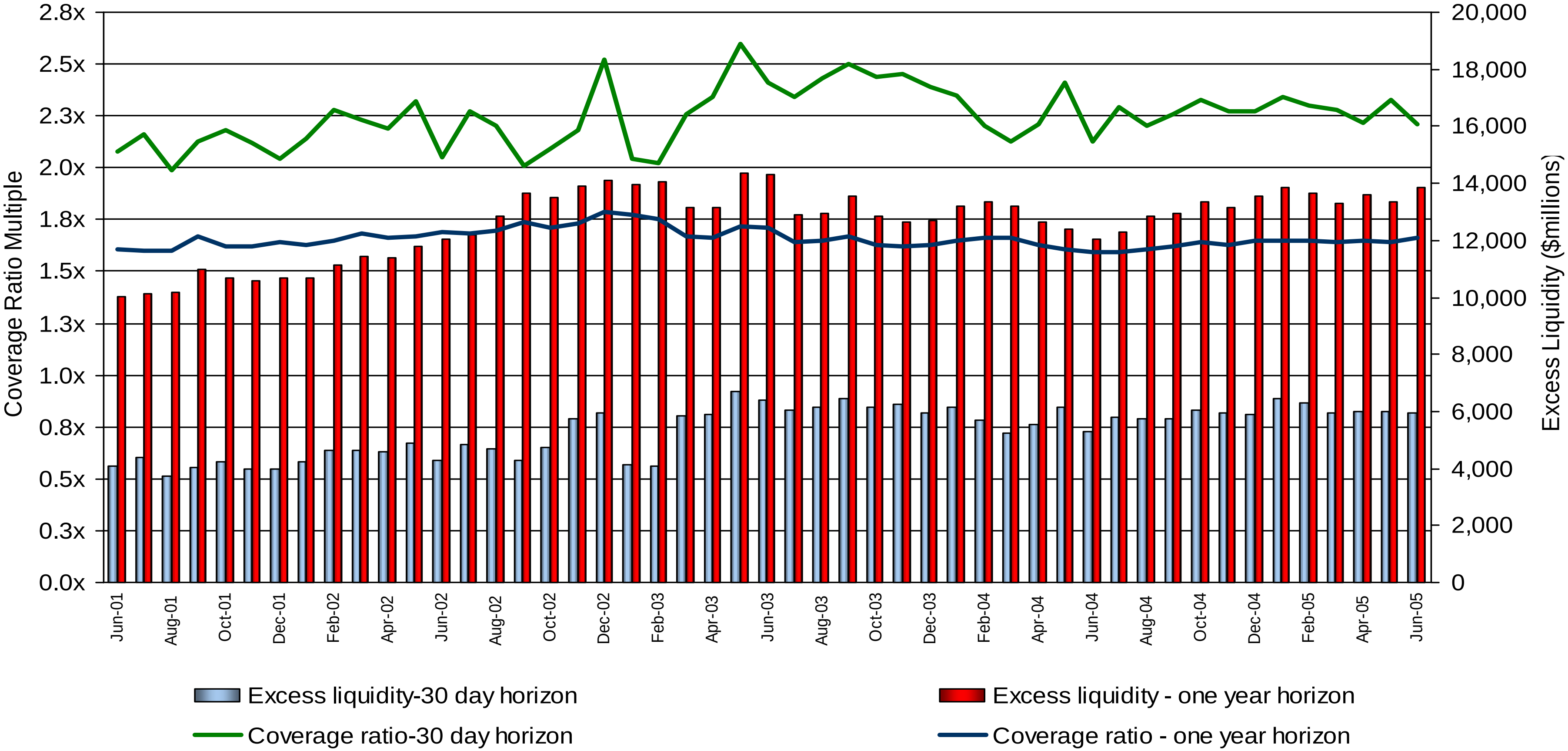
JNL LIQUIDITY POSITION



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CONCLUSION

- JNL is in the business of accepting and managing risk
- We do so within clearly defined limits in a cost effective and efficient way
- We don't take risks we can't cost effectively hedge or that depend on unproven assumptions about policyholder behavior
- Because of our approach to hedging we are not economically exposed to tail events
- Our approach to risk aggregation and economic capital is industry best practice