JNL® | 04

2004 ANNUAL REPORT

Consistent Execution. Consistent Results.

With a distinguished past and a promising future, Jackson National Life® has been built on profitable growth, disciplined management and a business strategy focused on creating shareholder value. Jackson National®, founded in 1961, is one of the largest insurance companies in the United States. In just 43 years, Jackson National has risen from modest beginnings to become an industry leader in the areas of fixed, fixed index and variable annuities, as well as a leading provider of life insurance and institutional products (Guaranteed Investment Contracts, Funding Agreements and Medium Term Notes). Through its affiliates and subsidiaries, JNL also provides separately managed accounts, asset management and retail brokerage services. Jackson National is an indirect subsidiary of Prudential plc, a company incorporated and with its principal place of business in the United Kingdom. Prudential plc has been in existence for over 150 years and is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

Industry Ratings.
Industry Rankings.

A+ (Superior) – A.M. Best. Financial strength rating, the second highest of 16 rating categories

AA (Very Strong) – Fitch. Insurer financial strength rating, the third highest of 24 rating categories

AA (Very Strong) – Standard & Poor's. Insurer financial strength rating, the third highest of 21 rating categories

A1 (Good) – Moody's Investors Service, Inc. Insurance financial strength rating, the fifth highest of 23 rating categories

Ratings current as of 12/31/04.
Financial strength ratings do not apply to the principal amount or investment performance of the separate account or underlying investments of variable products.

13th largest U.S. life insurance company ranked by General Account Assets

19th largest U.S. life insurance company ranked by statutory capital and surplus plus asset valuation reserve and interest maintenance reserve

22nd largest U.S. life insurance company ranked by total assets

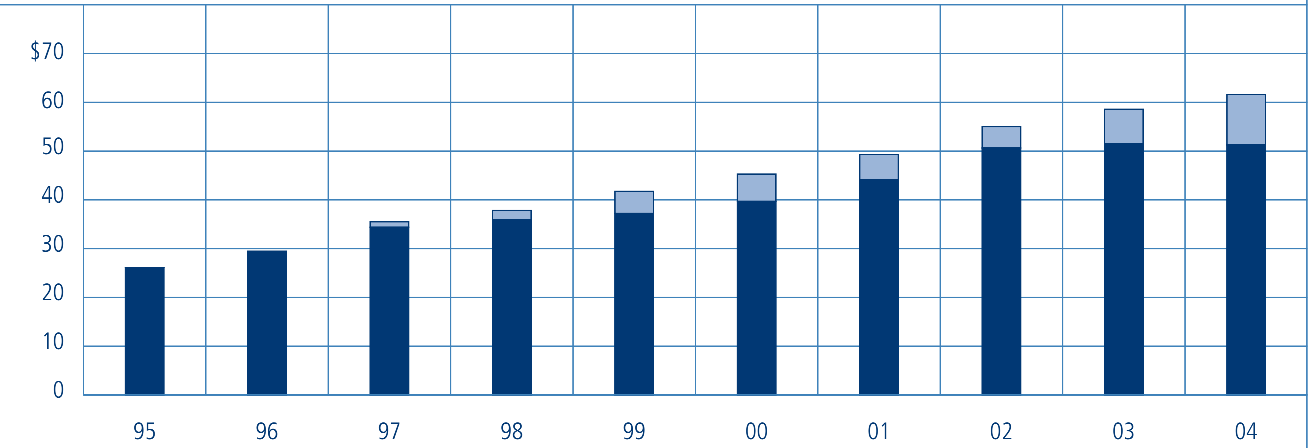
Source for rankings: National Underwriter Insurance Data Services from Highline Data, as of 9/30/04.

Company Profile	
Size and Efficiency	▪ Over $61 billion in assets (GAAP)[1] ▪ $8.1 billion in total sales in 2004 ▪ JNL® statutory consolidated expense-to-average asset ratio was 0.46% as of 12/31/04 (compared to 0.96% for our 130 largest industry competitors)[2]
Product Success	▪ One of America's leading annuity writers, with fixed and variable annuity sales of $5.7 billion in 2004 ▪ $786 million of fixed index annuity sales in 2004 ▪ Over $119 billion of life insurance in force as of 12/31/04
Credibility	▪ Consistently ranked in the Top Ten for sales of fixed and fixed index annuities industry-wide
Policyholders	▪ Over 1.5 million life and annuity contracts in force as of 12/31/04

[1] JNL also has $54 billion (GAAP) in policy liabilities, which is the amount set aside to pay primarily future policyholder benefits (as of 12/31/04).

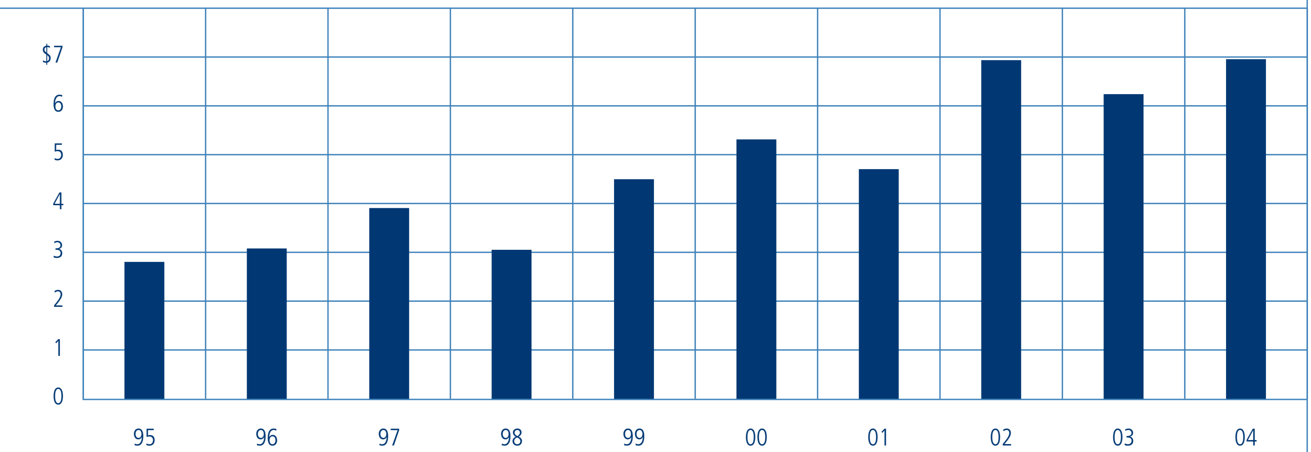
[2] National Underwriter Insurance Data Services from Highline Data. Competitor ratio represents annualized information as of 9/30/04 (latest available data).

GAAP Assets (in Billions)



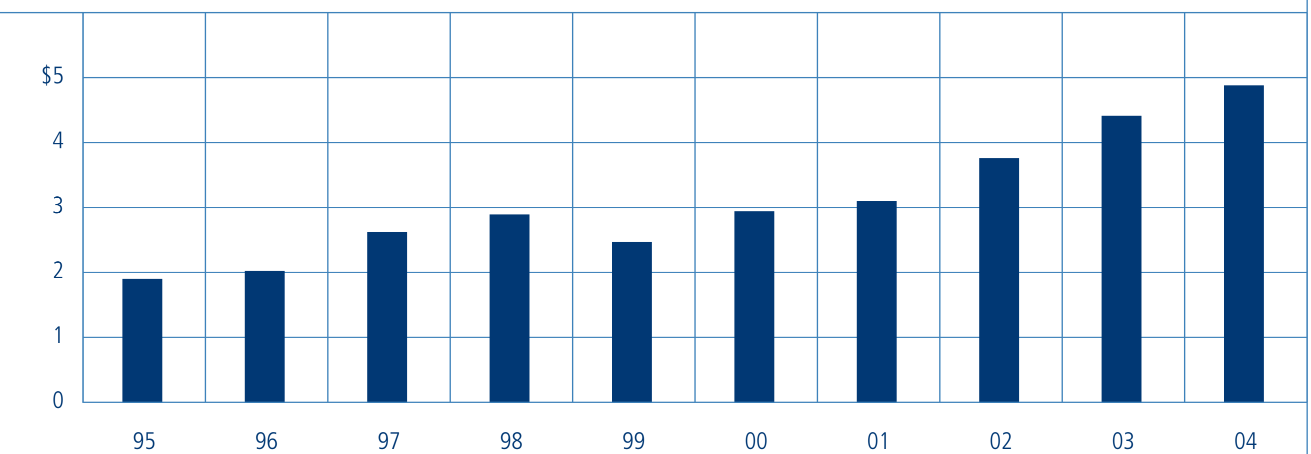
■ General Account ■ Separate Account

Statutory Premium (in Billions) (includes Jackson National Life of New York℠)



■ Premium Excluding Fund Deposits

GAAP Stockholder's Equity (in Billions)



■ JNL Stockholder's Equity

President's Message

Clark P. Manning, Jr.
President and Chief Executive Officer
Jackson National Life Insurance Company®

For the financial services industry, 2004 was a year of market recovery and expansion, as well as an extraordinary period of change. Even in the face of mounting deficits and a weakening dollar, optimism for continued recovery remained high as the Dow Jones, NASDAQ and S&P 500 finished strong for a second straight year. On the other hand, investigations into market timing and other serious abuses led regulators to reach settlements with several high-profile mutual fund firms, totaling nearly $3 billion. The Securities and Exchange Commission (SEC) proposed more new rules for mutual funds than at any time in the industry's 60-year history.

Late in 2004, regulators turned their attention to the insurance industry, and many insurance companies found themselves mired in the securities industry's ongoing scandals. In addition to bid rigging charges leveled against some of the largest insurance brokers, regulators focused on the variable annuity (VA) market, particularly with regard to product suitability, and the practice of switching investors from one variable annuity to another in order to boost commissions.

Jackson National has always operated its businesses with integrity and in accordance with the laws and regulations established by the industry's governing bodies. A strong corporate governance structure is fundamental to our growth and success. I am proud that our Company's proactive, credible and consistent approach to compliance is something that we have always taken very seriously, and we will continue to work hard in adapting to regulatory changes.

From a financial standpoint, our balance sheet is in excellent shape as we reached several key milestones in 2004. Net income totaled a record $631 million, almost doubling last year's bottom line. We also surpassed $60 billion in assets, nearly tripling our assets, premium and capital over the last decade. Another milestone for the Company was reaching an all-time high of $6.5 billion in retail sales. In fact, Perspective II Fixed and Variable Annuity℠, our flagship VA, surged past the industry's top competitors, becoming the #1 contract in the

[3] "Variable Annuity Net Flows Comparison by Contract," VARDS, 12/31/04.
[4] National Underwriter Insurance Data Services from Highline Data. Competitor ratio represents annualized information as of 9/30/04 (latest available data).
[5] LIMRA International U.S. Individual Annuities Sales Survey, Fourth Quarter 2004.
[6] "Variable Annuity Total Flow Comparison," VARDS, 12/31/04.

industry by net flow.[3] With increased productivity, tight control of expenses, and competitive product pricing, 2004 operating profits were up nearly 50% over last year, and our capital ratio, another indicator of strength and earnings momentum, was the highest it has been since 2000.

Despite growing product and market complexity, we've maintained our expense discipline with a statutory consolidated expense-to-average asset ratio in 2004 of 0.46%, compared to the 0.96% average among the top 130 largest competitors.[4] Jackson National had the highest assets to employee ratio and the lowest headcount of all its major competitors. We've also managed material risk by executing asset/liability strategies that helped weather one of the worst credit cycles in this country's history. Through a period of plummeting Treasury yields and high demand for fixed products, we maintained our pricing discipline and managed the capital required to back that business.

Our goal to diversify revenue sources and distribution channels has shown impressive results. We ranked 10th in U.S. individual annuity sales for 2004.[5] Total JNL variable annuity sales increased by 14.6% and surpassed the overall industry growth by over five times.[6] Sales of fixed index annuities were up a record 88%, and we gained considerable traction in the life insurance market by more than doubling first-year premium. JNL's subsidiary, Curian Capital®, a registered investment adviser, nearly quadrupled its assets from year-end 2003 to more than $1 billion under management, far superior to any new entrant in the managed accounts market. And sales of our institutional products (Guaranteed Investment Contracts, Funding Agreements and Medium Term Notes) were nearly $1.6 billion, helping the Company reach total sales of nearly $8.1 billion.

Organic growth remains at the foundation of our operating model, but we have always maintained the flexibility to take advantage of acquisition opportunities that fit within our growth strategy. Jackson National sold Jackson Federal Bank® (JFB®), one of our subsidiaries, to UnionBanCal Corporation and announced the intent to acquire Life of Georgia (LOG) from ING America Insurance Holdings, Inc. Since JFB was a highly successful operation, we were able to garner a healthy 17% return on our cash invested, and redeploy a portion of the capital to acquire a life insurance business, which is more closely aligned with our core strategy. Once the LOG purchase is finalized, Jackson National will have approximately 3.2 million life insurance policies and annuity contracts under management. This increased scale of our life business should allow us to lower the unit cost within that product line, yielding even more competitive products.

Looking forward as the age wave shifts, some 77 million baby boomers will retire in America in the next 20 years. These people are retiring earlier, living longer, and according to research, most of them are dramatically unprepared for retirement. Clearly, there is a retirement income crisis looming in this country, and that crisis is one of the most significant challenges our industry will be facing in the next decade. At Jackson National, we are responding with innovative products better suited to a longer-living population, creating greater flexibility in our products for annuity investors and developing education programs targeted to help investors plan for these new retirement challenges.

Jackson National has successfully emerged from a period of investor uncertainty, nationwide economic recession and significant U.S. capital market turbulence. In 2005, we will continue to create shareholder value for our parent company and continue our momentum with new products, initiatives and ideas. As always, Jackson National will leverage core competencies with low-cost efficiency, while keeping our sights set on entering new markets profitably.

Sincerely,

Clark P. Manning, Jr.
President and Chief Executive Officer
Jackson National Life Insurance Company

Vice Chairman's Message

Michael A. Wells
Vice Chairman and Chief Operating Officer
Jackson National Life Insurance Company®

The foundation of a successful financial services firm is built on its key stakeholders, and managing and balancing these intricate relationships is what sets Jackson National apart from its peers. In a complex industry where the lines between competitors and partners are often blurred, the best companies possess the vision and clarity to know the difference. From broker-dealers to asset managers, competitors and partners are often one and the same on a number of levels, and it is imperative we recognize the value that each and every stakeholder brings to the organization.

At Jackson National, our strength hinges on ensuring that no stakeholder is left behind, and knowing that long-term sacrifices are never made for short-term gains. For example, we are committed to increasing the revenue of our broker-dealers while reducing their risk. We deliver steady net flows, persistent assets and strong distribution opportunities for our asset managers. Our priority with financial advisers is to respect their time, protect their reputation and create opportunities that enable them to demonstrate their expertise and value. And finally, we help investors meet their retirement goals by treating them fairly and offering a wide array of affordable products.

All of these relationships are carefully balanced with our unwavering commitment to providing an excellent return for our shareholder. As an industry leader in multiple markets and economies, Jackson National delivers on its shareholder commitment by offering a mix of products with sales rankings that occupy market positions earned, not bought. Our steadfast dedication has translated directly into our increasing market share and ongoing growth.

In 2004, our Perspective II® contract ranked 4th in variable annuity contract sales,[7] and Jackson National ranked 15th in total variable annuity new sales.[8] With our sales success, Jackson National became the second fastest growing VA manufacturer by assets in the industry among the top 25 companies offering variable annuities.[9]

[7] "Variable Annuity Total Flow Comparison by Contract," VARDS, 12/31/04.
[8] "Variable Annuity Total Flow Comparison," VARDS, 12/31/04.
[9] "Variable Annuity Asset (Include Fixed) Comparison," VARDS, 12/31/04.
[10] LIMRA International U.S. Individual Annuities Sales Survey, Fourth Quarter 2004.
[11] "InvestmentNews Survey," InvestmentNews, 1/17/05.

Other distribution channels have also shown excellent results. We were the 6th largest writer of deferred fixed annuities and the 8th largest writer of annuities through banks.[10] Adding to our achievements, National Planning Holdings® (NPH℠), our independent broker-dealer, became the 6th largest broker-dealer network in the industry.[11]

Continued success in maintaining shareholder value is, of course, strongly tied to the producers who sell our products. The single best compliment I receive from producers is that "Jackson National has helped me grow my business." As a relationship-driven firm, the cornerstone of our distribution model is to look beyond products and compensation to excellent wholesaling and value-added extras. One terrific example of our commitment to developing business for advisers is our Seminar Systems Unit℠ (SSU). Launched in May, the SSU is a turnkey seminar system that brings new business to financial professionals.

Superior sales support persists as a defining quality for Jackson National, as our service was recognized for its excellence last year. The Service Quality Measurement Group's 2004 Contact Center Awards Program named Jackson National as one of only eight companies to receive a World Class Customer Satisfaction Award. In addition, we received a Highest Customer Satisfaction by Industry Award for earning the best customer service ratings in the financial services industry. To receive a world-class award, over 80% of the customers surveyed must rate their experience as very satisfied, the highest rating possible. And when DALBAR, Inc., recently released its 2004 DALBAR Financial Professional Program evaluations of the mutual fund and annuity industry, marketing managers in the broker-dealer and bank communities consistently ranked Jackson National Life high in all key categories.

In 2004, we integrated our Lansing and Denver service centers into a single, functional center. Essential services are now shared across the whole organization, allowing for greater efficiencies and competitive advantages within our markets. For example, 50% of JNL's new life insurance applications are fully underwritten in 14 days or less, compared to the industry average of 30 days. Curian Capital's technology platform provides the lowest minimum investment in the managed accounts industry and allows a financial professional to operate in a completely paperless environment. And National Planning Holding's Electronic Order Entry (EOE) system is the foundation for a paperless environment in the independent broker-dealer channel. National Planning Holdings has already automated many of the time-consuming and costly front-end processes.

Jackson National has organically grown its business as rapidly as any financial services organization in the industry. Over the years, we've adapted quickly to changing markets and regulatory environments with cost-effective technology and quick execution capabilities. With our success firmly grounded in the commitment we've made to our shareholder, we will continue to grow, prosper and seek emerging opportunities in 2005.

Sincerely,

Michael A. Wells
Vice Chairman and Chief Operating Officer
Jackson National Life Insurance Company

Operations Review Committee










Lisa C. Drake **Senior Vice President, JNL** Manages JNL's actuarial functions and coordinates the product implementation team. She has a BS from St. Olaf College, and is a Fellow of the Society of Actuaries.	**Robert A. Fritts** **Senior Vice President, JNL** As Controller, he manages and directs the financial reporting, planning, investment accounting and treasury functions for JNL. He has a BS from Capital University.	**Andrew B. Hopping, CPA** **Executive Vice President, JNL** As CFO, he oversees JNL's accounting, tax, financial reporting, human resources and facilities departments. He has an MBA from UCLA, and a BA from Michigan State University.
Stephen A. Hrapkiewicz **Senior Vice President, JNL** Manages JNL's human resources, with the primary responsibility to help other departments succeed. He has an MA from Vanderbilt University and a BA from the University of Michigan.	**Clifford J. Jack** **Executive Vice President, JNL** As chief distribution officer, he oversees retail distribution of all JNL products through multiple channels. He holds a BA from San Francisco State University.	**Leandra Knes Johnson, CFA** **President, PPM America** Under her direction, PPM America has grown assets under management from $42 billion to $70 billion. She has an MBA from the University of Chicago, and a BS from Purdue University.
Thomas J. Meyer **Senior Vice President, JNL** As the Company's General Counsel, he oversees a legal department of 12 attorneys and a separate government relations department. He holds a JD from the University of Wisconsin.	**P. Chad Myers, CFA** **Senior Vice President, JNL** Responsible for asset/liability management, including rating agency relationships, capital planning and investment policy. He has a BS from Claremont-McKenna College.	**J. George Napoles** **Executive Vice President, JNL** As chief information officer, he developed JNL's IT department, helping JNL evolve from manual processing to a high-tech organization. He has a BBA from Georgia State University.
James R. Sopha **Executive Vice President, JNL** Responsible for corporate development, including strategic initiatives, capital deployment and oversight of the internal control environment. He holds a BS from Ferris State University.		

Products

Our product success is built on **out-thinking**, not **out-spending**, the competition.

Product pricing at Jackson National has always followed a disciplined business approach. Our products are priced to achieve returns beyond the cost of capital while maintaining the lowest possible expenses. And our objective is to create the best long-term value through a range of profitably priced products and services.

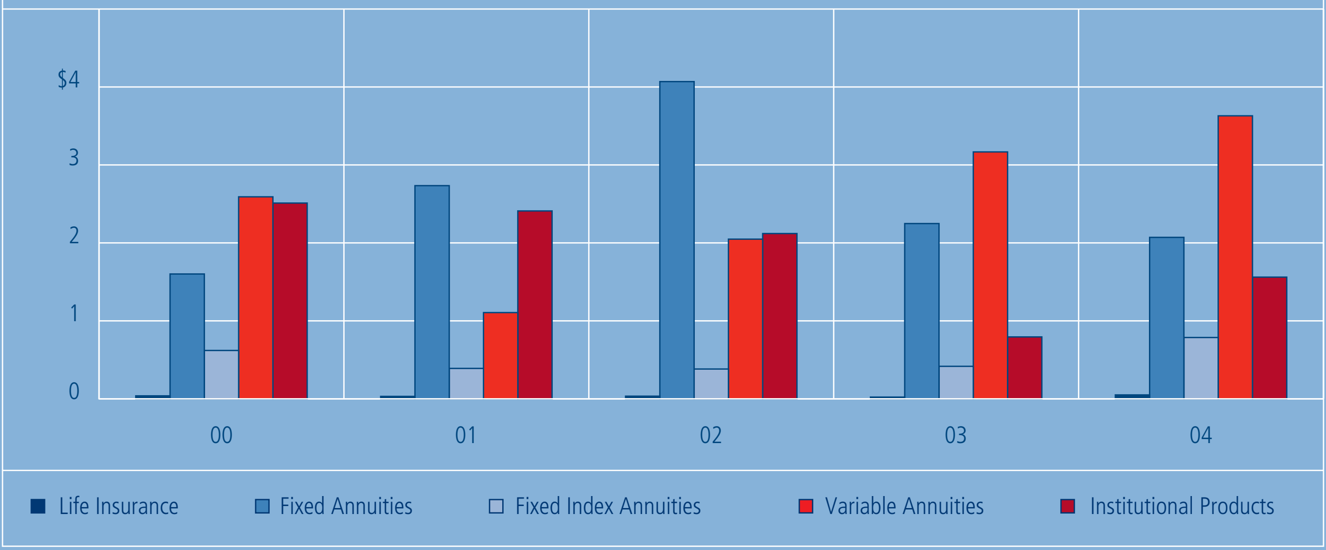
Jackson National's products are competitive in price, creative in design and built for multiple distribution channels, which accounted for record sales in 2004. The breadth and depth of our product lines are essential to JNL's success, and we'll continue to launch a variety of products and enhancements that meet the needs of customers. Our core product lines include variable annuities, fixed index annuities, traditional fixed annuities and life insurance.

As a consistent top 20 seller in many key product lines, Jackson National is a solid marketing partner for thousands of producers. When you consider the importance of a diversified product line coupled with a strong balance sheet, Jackson National continues to lead the way across the industry. Here are just a few indicators:

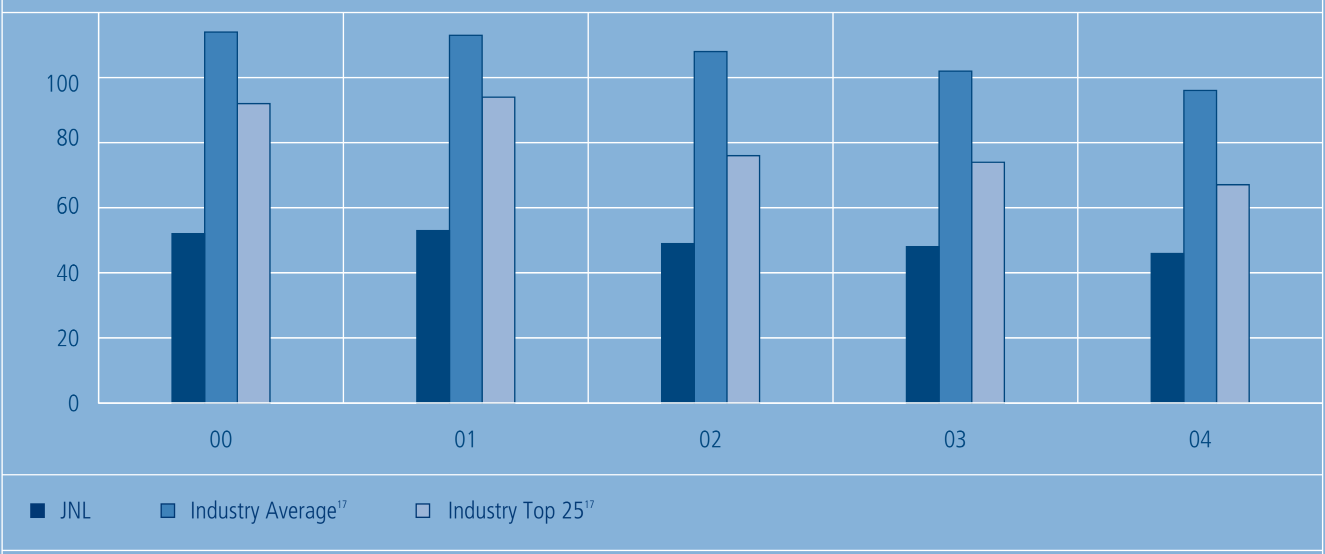
- 1st in variable annuities by net flow for Perspective II;[12]
- 6th in variable annuities by net flow;[13]
- 6th in deferred fixed annuity sales;[14]
- 8th in annuity sales through banks;[14]
- 9th in fixed index annuity sales;[14]
- 15th in total variable annuity new sales;[15]
- 18th in variable annuity assets under management.[16]

[12] "Variable Annuity Net Flows Comparison by Contract," VARDS, 12/31/04.
[13] "Variable Annuity Net Flows Comparison," VARDS, 12/31/04.
[14] LIMRA International U.S. Individual Annuities Sales Survey, Fourth Quarter 2004.
[15] "Variable Annuity New Sales Comparison," VARDS, 12/31/04.
[16] "Variable Annuity Asset (Include Fixed) Comparison," VARDS, 12/31/04.

Sales By Product Line (in Billions)



General Expense-to-Average Asset Ratio (in bps)



[17] Source for industry data: National Underwriter Insurance Data Services from Highline Data as of 9/30/04 (latest available data). Industry average represents 130 largest industry competitors.

Products continued

> Our flagship VA, Perspective II, was **ranked #1** in the industry by net flow.

Variable Annuities

A critical investment feature that many customers want today is a guaranteed level of income, especially during their retirement years. As a result, the current environment for variable annuities is driven by optional living benefits that have the potential to provide guaranteed income.

Anticipating market demand for enhanced benefit options, Jackson National introduced two new guaranteed minimum withdrawal benefits (GMWBs), featuring an innovative and industry leading "For-Life" guarantee. With the introduction of LifeGuard 5[SM] and LifeGuard 4[SM], Jackson National has positioned itself at the forefront of variable annuity product design.

LifeGuard 5 and LifeGuard 4 give financial professionals two attractive options for creating a permanent income stream for their clients. A key customer-focused feature of Jackson National's GMWBs is that, after electing this benefit, the client remains in complete control of the assets. Together, adviser and client can devise an asset allocation model that is investor-centered and fully aligned with the client's specific, long-term, financial goals.

With a substantial percentage of variable annuity sales fueled by benefits featuring income guarantees, Jackson National will continue to integrate living benefit options into our well-established modular variable annuity product designs. We deliver unbundled, diversified investment options, professionally managed by many of the top names in money management. By allowing policyholders to choose the features and benefits that are important to them, our approach has always provided maximum flexibility and choice so clients can tailor the product to their own needs.

Jackson National added Fidelity Investments and Wellington Management Company, LLP last year to an already impressive list of 15 money managers. Fidelity is America's largest mutual

[18] "Variable Annuity New Sales Comparison," VARDS, 12/31/04.
[19] "Variable Annuity Net Flows Comparison," VARDS, 12/31/04.
[20] "Variable Annuity Asset (Include Fixed) Comparison," VARDS, 12/31/04.
[21] "Variable Annuity Net Flows Comparison by Contract," VARDS, 12/31/04.
[22] LIMRA International U.S. Individual Annuities Sales Survey, Fourth Quarter 2004.

fund company with over $1 trillion in assets under management, and is known for innovation and performance. As one of the nation's oldest money managers, Wellington boasts a tradition rich in investment management research, experience and service. The addition of these two respected money managers to Jackson National's lineup boosted our variable investment options to over 50, renewing our commitment to offering clients access to a multitude of asset classes and investment styles.

In 2004, our variable annuity sales rose 14.6% over 2003, to $3.6 billion, and placed us 15th in the industry.[18] At the end of 2004, Jackson National ranked 6th in total company variable annuity net flows, up two spots from 2003.[19] In 2004, Jackson National's variable annuity net assets grew the second fastest among the top 25 VA providers,[20] and our Perspective II was ranked the #1 VA product (in terms of net flow) in the market.[21]

Fixed Annuities

While Jackson National's fixed annuity sales dropped a mere 4% in 2004, individual fixed annuity sales (excluding fixed index annuities) for the industry dropped an estimated 11%. This drop reflects the continued low interest rate environment of 2004, which limited the demand for fixed annuities. Rising short-term interest rates provided little market incentive as medium and long-term rates remained largely unchanged. However Jackson National fixed annuity sales climbed steadily in the second half of the year and positioned us as the 7th largest fixed annuity provider in the total fixed annuity market.[22]

A selling edge for JNL has always been its outstanding renewal rate record — crediting competitive interest rates long after the initial rate guaranteed period. Looking forward, economists expect yields to rise, and we believe the fixed annuity market will again become attractive, spurring greater market share potential for JNL.

Stephen Houser, CLU, ChFC
President and CEO
The Planning Solutions Advantage, LLC
Philadelphia, PA

"I've only been with Jackson National for about three years," says Stephen Houser, CLU, ChFC, MCRS, President and CEO of The Planning Solutions Advantage, LLC. "But they have become my number one provider, thanks to terrific service and products. Outside and inside, JNL has been absolutely fantastic."

Despite his relatively new relationship with JNL, Stephen produced more than $3 million in variable and fixed annuity sales last year. And Stephen sees his relationship with Jackson National growing stronger going forward. "Once I find something I like, I stick with it. Jackson National is financially secure and they deliver on what they say. That's unusual in the insurance industry."

Reflecting on JNL products, Stephen says, "JNL has one of the best guaranteed withdrawal benefits in the industry, and the most promising overall product feature is the LifeGuard optional living benefit."

While great product offerings are the strongest attraction for Stephen, he hastens to add that his excellent experiences with JNL go hand-in-hand with the unmatched sales support he receives from his wholesaling team. "My contacts, Corey Mitchell and Jim Meehan, have been terrific, and their team has become a huge resource for my business. They're always available and quick to respond. Fact is, I really don't even talk to other product providers anymore. I just don't need to."

Products continued

Joseph Leonard
Owner
American Investment Solutions
Lapeer, MI

"We work in a niche, the senior 55+ market," explains Joe Leonard, owner of American Investment Solutions in Lapeer, Michigan. "Having products that are easy to explain is very important in this market. It helps our customers to feel confident that their money will be protected."

Mr. Leonard's company produced about $5 million of fixed and fixed index annuity sales for JNL in 2004, and Joe says he plans to do a lot more with JNL in 2005. "My advisers want to work with JNL," he says. Joe feels that its strong customer service is a key reason to use JNL more and more. "Whatever the dollar amount of the business I send to JNL, someone always calls to thank us for the business. That goes a long way with me and with the advisers."

Joe feels that JNL goes beyond what other companies provide. "My wholesaler has a willingness to help us find what we need for our clients, and bends over backwards to make sure things are always right. He will even come out here to train advisers anytime, regardless of whether it's one, two, or 25," says Joe. "I work frequently with about 20 wholesalers in my business, and Joe Pierce, my wholesaler from Jackson National, is the top guy."

Fixed Index Annuities

Fixed index annuities (FIAs), also called equity indexed annuities, once considered by many to be a boutique product within the annuity industry, are gaining credibility as sales surpassed $24 billion last year. Jackson National, one of the pioneers of this product, outpaced the market with an impressive 88% increase in 2004, finishing the year with a top ten ranking. The year ended with record sales of $786 million, up from $417 million in 2003, and with upwards of 80% of annuity producers yet to sell their first FIA,[23] there appears to be considerable potential ahead.

A challenge in marketing FIAs is that they can be complex and difficult to sell. As one of the few companies to proactively partner with producers, our fixed index annuity wholesalers are critical to our success, and give us a unique edge in this marketplace. We've also developed consumer-friendly products and marketing materials, and implemented a training program to educate Jackson National's sales force about the benefits of FIAs. Jackson National is one of the few FIA providers requiring producers to pass an exam and earn certification to sell its products.

The appeal of fixed index annuities is that investors can protect their assets while enjoying the potential growth of equity-linked instruments. FIAs offer the upside potential investors want with the downside protection they increasingly demand. As long as they are held to the end of their term, JNL's FIAs offer protection of principal, a guaranteed minimum interest rate and the opportunity to benefit from potential increases in the market index.

[23] The Advantage Group, 2004.

Life Insurance

Jackson National derives most of its income from our fixed annuity (spread-based) and variable annuity (fee-based) products, with a small percentage of earnings generated by life insurance (underwriting). While our spread business likely will continue to account for the majority of earnings, we are expanding our life business, both organically and through acquisition. By significantly increasing the amount of income from underwriting activity, we intend to narrow the difference between the percentage of earnings coming from spread and fee-based business, and underwriting. We can further diversify our revenue stream, reducing earnings volatility through market cycles.

In 2004, Jackson National refocused its efforts on growing the company's life insurance business by enhancing our life product portfolio and hiring a team of dedicated life wholesalers to broaden distribution. Sales of JNL life insurance increased 129% during 2004, from $22.0 million in 2003 to $50.3 million this year.

Jackson National announced the purchase of Life Insurance Company of Georgia from ING America Insurance Holdings, Inc. in 2004. This acquisition will add approximately $1.6 billion in assets, $11.9 billion in face amount of life insurance in force, and 1.6 million life policies to Jackson National's highly scalable administration platform. While the life insurance channel requires a steady and concerted effort to create a footprint in that complex and competitive marketplace, Jackson National's endeavors to promote organic and acquisition growth are beginning to leave their mark.

Kent Zeigler
Financial Adviser
SII Investments
Minneapolis, MN

"I have grown so used to working with JNL that it never occurs to me not to use their products," says Kent Zeigler, an SII adviser and owner of a small tax practice in Minneapolis, Minnesota. Kent produced over $220,000 of production with SII Investments in 2004.

Kent's relationship with Jackson National Life began in 1988. "I have a strong level of comfort and familiarity with JNL," says Kent. "I have sold all of JNL's products at one time or another, but the products that work best for me now are Curian Capital's managed accounts, Perspective II and the new variable life product. I am very happy with the new benefits and features being added to these products, especially the new optional guarantees."

When speaking of his success with JNL products, Kent is quick to praise the service he receives from his JNL wholesalers, Jim Crimmins and Bob Densmore. "Wholesaling support has always been great," explains Kent. "JNL's wholesalers, both internal and external, are always available and very helpful. They not only provide product illustrations and guidance, but they are always giving me sales ideas and marketing tips for my business."

Distribution

The **financial professional** is firmly rooted at the core of our distribution model.

In today's financial environment, the boundaries between banking, brokerage and insurance continue to blur. The industry's changing landscape of mergers and acquisitions has thousands of customers feeling abandoned and underserved. But within this volatile picture, Jackson National recognizes there is one constant — the financial professional. As the single most stable force in our business, the financial professional is firmly rooted at the base of our distribution model and remains the key component to our sales success.

Jackson National builds name recognition among financial professionals in three ways:

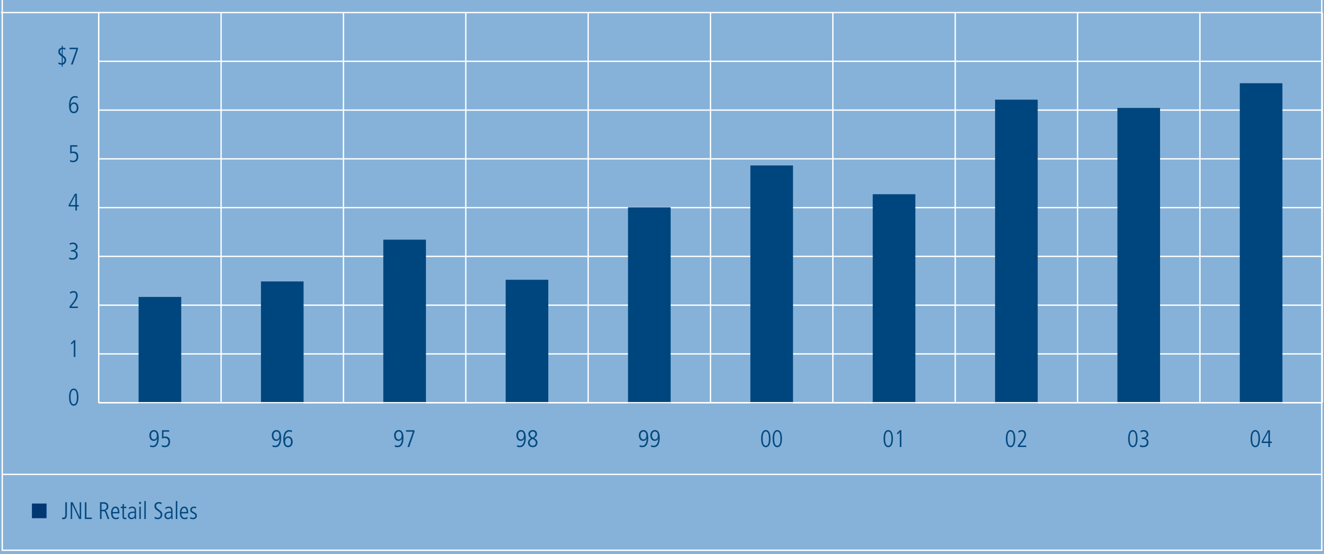
▪ by creating superior products that meet investor's needs;
▪ by providing strong marketing ad sales support;
▪ by delivering high quality service.

JNL's relationship-driven wholesaling model, built around independent financial professionals and broker-dealers, enabled the company to post record sales in 2004. Outstanding internal and external wholesaling sets Jackson National apart and will continue to strengthen our reputation with the financial professionals who deliver our products to the public.

JNL Sales by Distribution Channel (in Thousands) (includes Jackson National Life of New York[SM] and Brooke Life Insurance Company®)

	Guaranteed	Registered	RBD	IMG	Institutional Products	Total
2000	$1,664,733	$2,227,840	N/A	$958,247	$2,510,991	$7,361,811
2001	$1,638,605	$1,107,831	N/A	$1,514,987	$2,410,289	$6,671,712
2002	$2,168,085	$1,635,013	$373,322	$2,357,135	$2,119,540	$8,653,095
2003	$1,383,852	$2,324,577	$500,401	$1,645,994	$794,075	$6,648,899
2004	$1,185,723	$2,788,587	$567,950	$1,994,904	$1,561,174	$8,098,338

Retail Sales (in Billions; does not include Institutional products)



Distribution continued

Doug Ellington
JNL Policyholder since 1986
Atlanta, GA

As part of a three-generation family owning Jackson National Life products, Doug Ellington has been very satisfied with his experience. "I bought my first whole life policy for my mother in 1986, and later purchased one for myself and my son in 1989."

"Jackson National is a solid company with good financial ratings — and an insurer's financial strength is important to us as policyholders," says Doug. "I also like the way the company handles their customer service and communications. For example, when I've needed projections and illustrations, the materials from Jackson National have always been clear and informative."

While the products meet his family's needs, Doug is quick to point out that the relationship he has with his agent, Peter Brooks, has played a critical role in his experience. "As my point-of-contact with Jackson National, Peter has always been terrific. His expertise coupled with the support he receives from Jackson National has given my family confidence with our estate plan, and that's all anyone can ask."

Jackson National Life Distributors, Inc. (JNLD)

JNLD, the wholesale distribution arm of Jackson National Life, adds value through programs and services supporting financial advisers as they grow their business and simplify their practices. This allows advisers to spend more time generating revenue. At the heart of JNLD's value proposition is an efficient business model with the potential to transform an adviser's practice into a more productive, profitable and investor-centered business.

To deliver this value proposition, to retain customers and to enhance our name recognition, JNLD has created a variety of innovative programs. JNLD and its affiliates offer training programs and seminars for every JNL product distribution channel. This training provides the opportunity for producers in all of our distribution channels to gain a better understanding of our products and services, and of how to present them to clients. JNLD also offers a powerful technological platform that reduces client service time for advisers while reducing much of the paperwork. JNLD provides services to financial advisers in the guaranteed and registered-products channels, regional broker-dealers and financial institutions. Across all channels, a team of more than 110 External Wholesalers, complemented by over 110 Internal Wholesalers, serves about 700 broker-dealers and 76,000 appointed agents.

Independent Advisers

The independent financial adviser is central to Jackson National's growth and success. The advisers' contributions have been key to distributing Jackson National products, and we continue to focus on strengthening these valuable relationships. In 2004, JNLD's independent financial advisers generated over 60% of Jackson National's retail sales and were responsible for almost $4 billion in product sales, a 7.1% increase over 2003.

Regional Broker-Dealers

In its third year of operation, Jackson National's Regional Broker-Dealer (RBD) channel continued to increase its contribution to Jackson National's retail sales. Our RBD team, staffed with two divisional vice presidents and 17 External and 17 Internal Wholesalers, develops relationships with and serves regional firms requiring specialized financial and advisory services. Jackson National's efforts to provide customized materials that meet the specific needs of individual regional firms paid off with a 13 percent jump in 2004 sales — to $568 million, versus $500 million in 2003. The RBD channel is the second-leading channel for variable annuity sales within Jackson National, accounting for $516 million in sales.

Institutional Marketing Group (IMG)

Based in Atlanta, Georgia, IMG is responsible for building relationships and distributing Jackson National products through institutional groups, including banks and credit unions. IMG has won industry-wide praise for their training for representatives selling Jackson National products through financial institutions.

In fact, Jackson National was one of the first companies to launch a targeted training program for bank platform representatives. Consider, for instance, a fixed index annuity, whose complex nature can make it difficult for customers, and even producers, to understand. IMG has developed a fixed index annuity program for banks modeled after its existing VA sales support program, VAPSS (Variable Annuity Platform Sales System), which is a comprehensive training workshop presented by IMG's wholesalers onsite in financial institutions. The fixed index annuity component of this workshop provides training to help platform representatives determine which customers may be suited for the product.

In 2004, IMG sales grew by 21 percent — to $2.0 billion, compared to $1.6 billion in 2003. IMG was also Jackson National's leading distribution channel for fixed annuity sales in 2004, bringing in $1.2 billion in total sales.

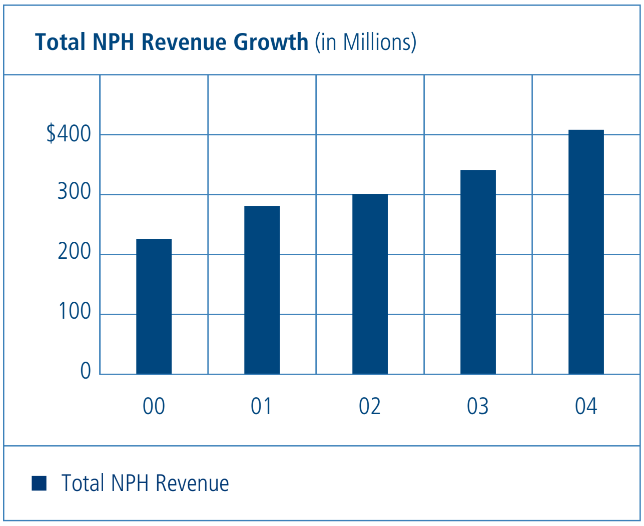
Mike Padilla
Senior Financial Consultant
WM Financial Services
Santa Monica, CA

"In my 12 years of working with Jackson National Life, the company has always done a good job of staying competitive with products," says Mike Padilla, Senior Financial Consultant with WM Financial Services in Santa Monica, California.

Mike feels that the features and benefits offered by JNL products are important for his clients. "I like the fixed annuity renewal rates, and I'm excited about the features and benefits of the variable annuities. Having the flexibility of an unbundled product is especially important for my clients, and the new LifeGuard guarantee options have helped them feel comfortable with the variable products." Mike's wife, Myriam, who also works for WM Financial Services, agrees. "I like the liquidity and nursing home features of the fixed and fixed index annuities. JNL's products are not too complicated, and that makes them easy to explain to my clients."

Mike maintains a strong relationship with Jeff Bauer, his IMG Wholesaler. "I have an excellent relationship with my wholesaler. He is well connected in JNL and is one of the top wholesalers I've worked with. His product knowledge is outstanding, and he always comes up with good ideas about how to be competitive."

Distribution continued



National Planning Holdings, Inc.

Jackson National Life's retail distribution is managed by National Planning Holdings, Inc. (NPH), a four-firm, independent broker-dealer network. In 2004, NPH enjoyed gross product sales of $9.3 billion, an increase of 23 percent over 2003. NPH revenues were $407 million, representing growth of 20% compared to the previous year.

During 2004, NPH completed the integration of its Electronic Order Entry (EOE) system at all four of its broker-dealers. EOE is an internally constructed, front-end, Web-based transaction processing system. Designed to simplify how independent financial advisers enter, process and transact business, EOE provides NPH with an unparalleled technology platform within the independent broker-dealer marketplace.

This comprehensive technology platform helps NPH's 2,500-plus representatives perform a variety of tasks ranging from compliance to business processing. NPH's EOE system makes it virtually impossible for advisers to submit incorrect paperwork. In view of increasing regulatory demands, this cutting-edge technology gives NPH an advantage over the competition. With the Electronic Order Entry system, NPH has clearly taken a huge step toward eliminating inefficiencies and boosting the productivity of its representatives.

National Planning Corporation

JNL entered the full-service broker-dealer arena when Santa Monica, California-based National Planning Corporation® (NPC®) was founded in 1998. NPC provides exceptional service to its market through a unique combination of bold, innovative solutions and seasoned investment professionals. Created specifically for the independent investment professional, NPC has become one of the nation's fastest growing broker-dealers.

INVEST

INVEST was the first broker-dealer to sell securities in bank lobbies, starting with a bank in Sarasota, Florida in 1982. INVEST now does business with more than 200 financial institutions across the country and supports a growing independent channel that utilizes INVEST's expertise to work with community banks in their marketplace.

INVEST provides its financial institutions and representatives with benchmarks and best practices that detail key success factors and tips on building long-term relationships with clients. In addition, INVEST offers many resources, tools and investment strategies to help its representatives grow their business.

ICA

Based in Bismarck, North Dakota, Investment Centers of America (ICA) has been a leading provider of investment and insurance products through community banks and independent offices since 1985. With approximately 265 producers, ICA uses a unique financial planning approach to support local banks in meeting their customers' goals with a variety of non-competing products and services ranging from securities and mutual funds to life insurance, long-term care and annuities. ICA serves more than 255 community bank and independent office locations with an array of sales and marketing tools designed to keep their investment services growing.

SII Investments

NPH purchased SII Investments of Appleton, Wisconsin, in 1998 as an addition to its broker-dealer network. A full-service broker-dealer with over 500 registered representatives, SII is comprised of a team of professionals whose knowledge, skills, insight and ingenuity make them among the top talent in the industry. SII's success is a result of its focus on providing outstanding service, sales support and payouts to experienced financial professionals.

Robert Soltz
JNL Policyholder since 1989
Medford, OR

"When I purchased my first JNL Life policy in 1989, my agent, Ernie Davis, told me about the Waiver of Specified Premium rider. I added it to my policy and it helped give me a sense of security."

What Robert didn't know at the time was that his decision to add the rider would do more than just give him that sense of security. In 1992 Robert became permanently disabled and was no longer able to work. Instead of worrying about how he would continue to pay his life insurance premiums or having his policy lapse, the Waiver of Specified Premium credited a specified premium amount to his policy each month. Now Robert's policy values are calculated as if he paid the specified premium.

"It's good to know that everything is taken care of. I know that if something happens to me, my kids will be okay."

While Robert has been impressed with JNL's product offering, he has been equally impressed with the level of service he has received.

"I usually call Ernie with questions about my policies but when I have called Jackson National's service center they always give me great answers, friendly service and they always take care of me."

JNL's **relationship-driven** wholesaling strategy is the cornerstone of our sales **success**.

Curian Capital, LLC

Curian's Custom Style Portfolio (CSP) managed accounts program grew 297% in 2004, surpassing $1 billion in assets under management, and making it one of the fastest growing third-party managed account platforms in the industry. Curian Capital generated $776 million in total sales in 2004.

The benefits of Curian's Custom Style Portfolios can be categorized under three main topics: risk management, customization and transparency. Risk management provides clients with the understanding that they are pursuing their investment objectives intelligently with fully diversified portfolios. Customization allows for asset allocations tailored to the client's investment objective, risk tolerance and time horizon. Transparency gives the client the ability to view account information 24 hours a day, seven days a week. With access to fees, holdings, transactions, tax information and performance data, Curian clients always know what they own, and what they are paying.

One of Curian's selling strategies for financial professionals lies in its paperless electronic platform. This platform eliminates mountains of paperwork and allows a representative to complete the entire funding of a CSP in as little as 24 hours. Curian's online filing cabinet, which contains all of a client's documents and account history, can simplify a practice and allow advisers to devote more time to revenue-generating activities.

Since beginning in March 2003, Curian has secured more than 215 selling agreements with independent broker-dealers, providing access to more than 16,000 financial professionals who can sell its CSPs. Additionally, Curian has opened more than 9,400 customer accounts and conducted, either remotely or in person, thousands of training and education sessions with financial professionals.

In 2005, Curian is further developing its Unified Managed Account (UMA) platform that can support multiple products beyond its core CSP offering. We are confident that this strategic initiative will strengthen Curian Capital's long-term competitive position.

Institutional Products

Jackson National Life's Institutional Products Department markets Guaranteed Investment Contracts (GICs), Funding Agreements, and Medium Term Notes (MTNs) to institutional investors. With a staff of only six, the Institutional Products Department has built a portfolio of $7.4 billion in investments from the proceeds of hundreds of issued contracts.

Because their distribution and customer bases differ significantly from the retail business, institutional products offer diversification to Jackson National's revenue stream. Contracts are issued in large amounts, providing some flexibility in adjusting the pace of growth in the general account. Therefore, Jackson National approaches this line of business opportunistically, selling products based on the availability of capital and on attractive investment prospects.

By capitalizing on several lucrative issuance opportunities, Jackson National increased sales of institutional products 97%, to $1.56 billion in 2004.

James R. Harvey, CIMA
President
Opus III Group
Seattle, WA

Jim Harvey, owner of Opus III Group in Seattle, Washington, has been in the financial services industry for 23 years, and produced over $5 million in sales for Curian in 2004.

He has had a positive experience with the company's Seminar Systems Unit. "The SSU has been instrumental in attracting some very qualified prospective client relationships; in fact, we suggested that one prospect place $1.5 million in the Curian platform." Jim believes that for his operation, which has clients spread all over the world, the SSU is a great asset in his efforts to develop and service a stronger regional client base.

Another factor in Jim's business growth and sales during 2004 was his relationship with his Regional Business Consultant (RBC) at Curian. "Both my RBC and the company are very receptive to my ideas and concerns," says Jim, "and that carries a lot of weight with me."

Performance

Our **commitment** to financial **discipline** and risk management drives our **growth**.

Strong risk management and a disciplined financial plan are essential to Jackson National Life. Our diversified revenue sources and the strength of our distribution channels have provided us with the financial stability that is critical to our future success. As always, JNL's commitment to financial discipline and risk management permits us to execute a self-funding model of operation.

Financial Management

In 2004, JNL's GAAP net income was $631 million, nearly double the level in 2003. The primary reasons for the higher net income were:

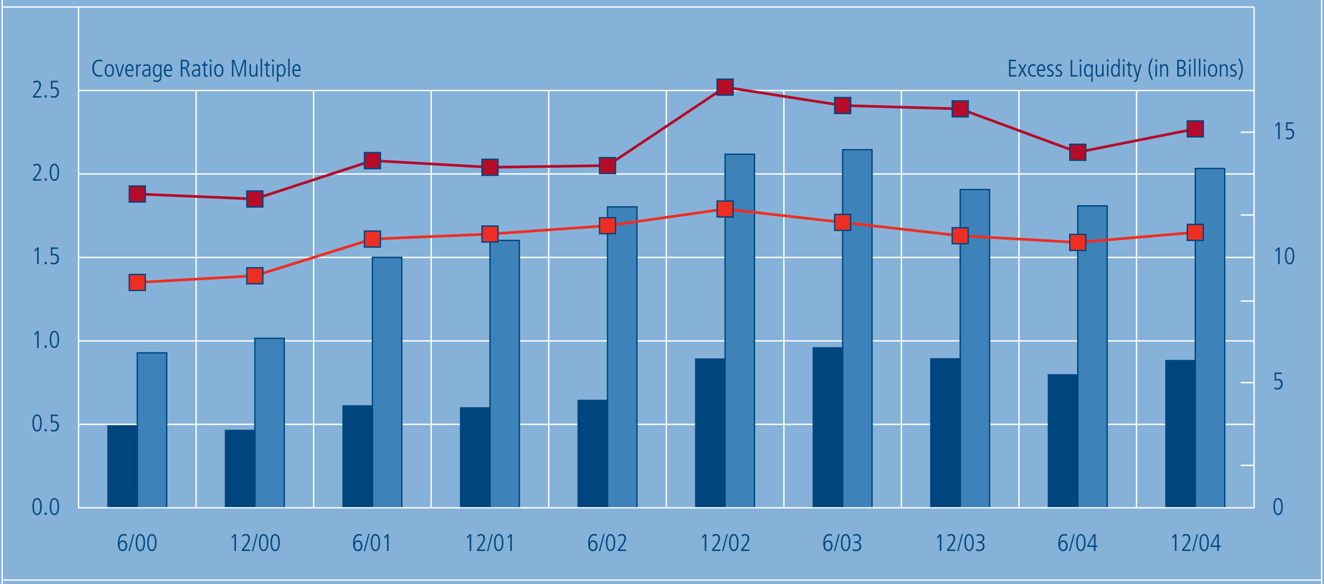
- higher investment spread income;
- higher net capital gains and risk management activity;
- a favorable litigation settlement;
- the gain on the disposal of Jackson Federal Bank.

Statutory income is critical because it defines the regulatory capital that supports and drives the level of new sales we can write. The combined statutory net income of JNL and Jackson National Life Insurance Company of New York® for 2004 was $631 million.

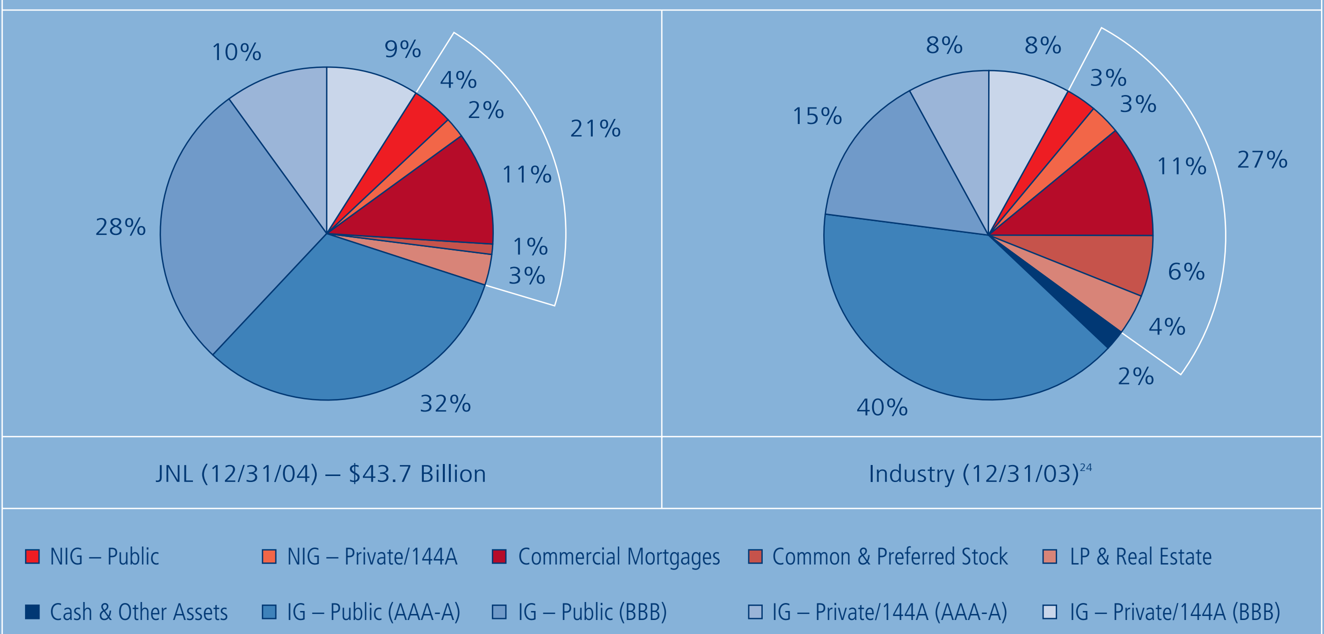
JNL's Approach to Liquidity Risk (chart at top right):

JNL's approach to liquidity risk analyzes the company's ability to meet policyholder obligations during a sustained period of hypothetical financial stress. This analysis evaluates the potential need for cash should surrenders increase dramatically. Assets are assumed to retrieve less than fair value due to spread-widening from market illiquidity or less favorable economic conditions, while liabilities are assumed to surrender at historically high rates. Excess liquidity results when the amount of total cash raised exceeds potential obligations. The coverage ratio is a measure of cash raised divided by potential cash obligations coming due. A ratio of 1.0x would indicate the ability to pay 100% of outstanding policyholder obligations.

JNL's Approach to Liquidity Risk – Ratio of available assets to potential obligations



Investment Asset Mix (Statutory Basis)



[24] Source for industry data: National Underwriter Insurance Data Services from Highline Data (latest available data).

Performance continued

Asset/Liability Management

Our risk management capabilities determine what products we can offer, how we structure those products, and the returns we require from those products. This defines our asset mix and guides our investment management strategy. JNL's liability portfolio consists primarily of products with crediting rates that are reset annually, which reduces our exposure to long-term interest rate risk. In 2004, we continued to increase our diversification of risk and lower the risk profile of our product mix.

JNL has guidelines and programs in place to manage every type of risk we accept, whether interest rate risk, spread risk, credit risk, or liquidity risk. We will not accept risk that we cannot properly evaluate or for which we are not adequately compensated.

Capital

Jackson National Life continues to pursue its objective of maintaining self-financing of its growth, even in volatile market conditions. In 2004, JNL's capital position significantly improved, largely due to $631 million of statutory income. Partially offsetting the income was a dividend of $120 million (up from $85 million in 2003).

Based on regulatory accounting, Jackson National's regulatory capital ratios improved again in 2004, and its ratio of capital to general account reserves increased from 7.7% in December 2003 to 8.5% as of December 2004.

Our long-term goal continues to be to maintain adequate and sustainable levels of capital and to be able to support our own growth through the returns on profitable business. At December 31, 2004, JNL's statutory capital, surplus and asset valuation reserve (AVR) exceeded $3.4 billion, up $382 million over 2003.

Investment Management

Jackson National Life invests primarily in fixed-income securities, including publicly traded industrial, mortgage-backed, utility and government bonds, and mortgage and commercial loans. JNL generates the majority of its deposits from interest-sensitive individual annuity contracts, life insurance products, and Guaranteed Investment Contracts and Funding Agreements on which it has committed to pay a stated rate of return.

The investment portfolio performed well in 2004, reflecting improvements in the economy and credit markets. Spreads on investment grade public bonds tightened by 12 basis points and on high yield bonds by 108 basis points, while the equity market generated positive returns for a second straight year.

Relative to its peers, JNL invests a slightly lower percent of its portfolio in traditional risk assets, such as high yield bonds, commercial mortgages, real estate equities and stock, though the company does take some additional risk in the lower tier of investment grade corporate bonds.

PPM America, Inc., (an affiliate of Jackson National Life), is responsible for managing Jackson National's investment portfolio.

2004 Financial Highlights		
	2004	2003
GAAP Total Assets	**$61.6 Billion**	$58.6 Billion
GAAP Policy Reserves*	**$53.6 Billion**	$49.2 Billion
GAAP Stockholder's Equity	**$4.9 Billion**	$4.4 Billion
Total Statutory Premium**	**$8.5 Billion**	$7.0 Billion
GAAP Total Revenue	**$3.6 Billion**	$3.0 Billion
GAAP Net Investment Income	**$2.7 Billion**	$2.6 Billion
GAAP Net Income	**$630.5 Million**	$323.4 Million

Key Result: In the last five years, Jackson National's GAAP assets increased by 48%.

* Includes separate account liabilities as well as $5.9 billion and $6.3 billion of trust instruments supported by funding agreements in 2004 and 2003, respectively.
** Includes GIC deposits of $1.6 billion and $0.8 billion in 2004 and 2003, respectively, which are excluded from statutory premium.

Report of Independent Registered Public Accounting Firm

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

To the Board of Directors and Stockholder of Jackson National Life Insurance Company®

We have audited the accompanying consolidated balance sheets of Jackson National Life Insurance Company and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholder's equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jackson National Life Insurance Company and Subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004 in conformity with U.S. generally accepted accounting principles.

As discussed more fully in note 2 to the consolidated financial statements, effective January 1, 2004, Jackson National Life Insurance Company adopted the Accounting Standards Executive Committee of the American Institute of Certified Public Accountant's Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts."

KPMG LLP

Chicago, Illinois
February 18, 2005

Consolidated Balance Sheets (in thousands, except per share information)

December 31,	2004	2003
Assets		
Investments:		
Cash and short-term investments	$ 1,420,426	$ 1,230,682
Investments available for sale, at fair value:		
Fixed maturities (amortized cost: 2004, $37,306,634; 2003, $35,993,066)	39,213,516	38,170,524
Equities (cost: 2004, $108,859; 2003, $264,263)	124,036	241,203
Trading securities, at fair value	124,598	-
Mortgage loans	4,633,010	4,325,814
Policy loans	717,503	717,047
Other invested assets	1,634,097	1,911,642
Total investments	47,867,186	46,596,912
Accrued investment income	523,974	494,233
Deferred acquisition costs	1,933,901	1,706,511
Deferred sales inducements	161,589	129,822
Reinsurance recoverable	640,757	578,424
Deferred income taxes	-	18,686
Value of acquired insurance	45,768	66,650
Income taxes receivable from Parent	28,110	8,625
Other assets	58,057	121,409
Assets of discontinued operations	-	1,810,189
Separate account assets	10,352,915	7,047,522
Total assets	$ 61,612,257	$ 58,578,983
Liabilities and Stockholder's Equity		
Liabilities		
Policy reserves and liabilities:		
Reserves for future policy benefits and claims payable	$ 1,311,174	$ 1,191,969
Deposits on investment contracts	34,146,356	32,895,440
Guaranteed investment contracts	1,896,284	1,837,104
Trust instruments supported by funding agreements	5,884,484	6,263,726
Notes payable	503,891	522,396
Securities lending payable	856,163	921,839
Deferred income taxes	166,938	-
Other liabilities	1,611,224	1,797,114
Liabilities of discontinued operations	-	1,601,120
Separate account liabilities	10,352,915	7,047,522
Total liabilities	56,729,429	54,078,230
Minority interest	10,037	98,505
Stockholder's Equity		
Common stock, $1.15 par value; authorized 50,000 shares; issued and outstanding 12,000 shares	13,800	13,800
Additional paid-in capital	2,562,214	2,533,535
Accumulated other comprehensive income, net of tax of $401,327 in 2004 and $438,701 in 2003	745,430	814,102
Retained earnings	1,551,347	1,040,811
Total stockholder's equity	4,872,791	4,402,248
Total liabilities and stockholder's equity	$ 61,612,257	$ 58,578,983

See accompanying notes to consolidated financial statements.

Consolidated Income Statements (in thousands)

Years Ended December 31,	2004	2003	2002
Revenues			
Premiums	$ 162,342	$ 173,411	$ 152,694
Net investment income	2,689,945	2,623,515	2,554,053
Net realized gains (losses) on investments	138,656	(60,966)	(478,637)
Risk management activity	90,814	(127,949)	(476,533)
Fee income	387,386	330,552	293,114
Other income	84,451	31,725	36,710
Total revenues	3,553,594	2,970,288	2,081,401
Benefits and Expenses			
Death and other policy benefits	379,175	393,794	348,765
Interest credited on deposit liabilities	1,364,803	1,575,254	1,589,508
Interest expense on trust instruments supported by funding agreements	143,317	131,792	144,619
Interest expense on notes and reverse repurchase agreements	42,376	35,919	51,509
Increase (decrease) in reserves, net of reinsurance	19,340	4,534	(34,457)
Commissions	483,005	423,446	427,882
General and administrative expenses	290,863	258,650	245,929
Deferral of policy acquisition costs	(507,660)	(462,032)	(477,248)
Deferral of sales inducements	(86,430)	(98,480)	(78,872)
Amortization of acquisition costs:			
Attributable to operations	419,048	242,608	355,241
Attributable to risk management activity	4,674	(59,809)	(1,355)
Attributable to net realized gains (losses) on investments	12,208	(1,852)	(40,152)
Amortization of deferred sales inducements:			
Attributable to operations	38,039	19,192	10,131
Attributable to risk management activity	9,087	8,570	3,102
Attributable to net realized gains (losses) on investments	2,902	(254)	(3,063)
Amortization of acquired insurance	20,882	19,647	18,479
Total benefits and expenses	2,635,629	2,490,979	2,560,018
Pretax income (loss) from continuing operations before minority interest	917,965	479,309	(478,617)
Minority interest	(49,041)	(14,628)	21,539
Pretax income (loss) from continuing operations	868,924	464,681	(457,078)
Federal income tax expense (benefit)	304,076	164,994	(159,246)
Income (loss) from continuing operations before discontinued operations and cumulative effect of change in accounting principle	564,848	299,687	(297,832)
Income from discontinued operations, net of tax	56,776	23,729	20,446
Income (loss) before cumulative effect of change in accounting principle	621,624	323,416	(277,386)
Cumulative effect of change in accounting principle	8,912	-	-
Net income (loss)	$ 630,536	$ 323,416	$ (277,386)
Pro forma net income (loss) assuming the change in accounting principle is applied retroactively	$ 621,624	$ 322,302	$ (276,611)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholder's Equity and Comprehensive Income (in thousands)

Years Ended December 31,	2004	2003	2002
Common stock, beginning and end of year	$ 13,800	$ 13,800	$ 13,800
Additional paid-in-capital			
Beginning of year	2,533,535	2,484,228	1,869,780
Capital contributions	28,679	49,307	614,448
End of year	2,562,214	2,533,535	2,484,228
Accumulated other comprehensive income (loss)			
Beginning of year	814,102	449,382	(13,077)
Net unrealized investment gains (losses), net of reclassification adjustment and net of tax of $(37,374) in 2004; $196,128 in 2003 and $249,302 in 2002	(68,672)	364,720	462,459
End of year	745,430	814,102	449,382
Retained Earnings			
Beginning of year	1,040,811	802,595	1,221,981
Net income (loss)	630,536	323,416	(277,386)
Dividends paid to stockholder	(120,000)	(85,200)	(142,000)
End of year	1,551,347	1,040,811	802,595
Total stockholder's equity	$ 4,872,791	$ 4,402,248	$ 3,750,005

Years Ended December 31,	2004	2003	2002
Net income (loss)	$ 630,536	$ 323,416	$ (277,386)
Net unrealized holding gains (losses) arising during the period net of tax of $(11,016) in 2004; $154,863 in 2003 and $220,241 in 2002	(19,721)	288,084	408,489
Reclassification adjustment for gains (losses) included in net income, net of tax of $(26,358) in 2004; $41,265 in 2003 and $29,061 in 2002	(48,951)	76,636	53,970
Comprehensive income	$ 561,864	$ 688,136	$ 185,073

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (in thousands)

Years Ended December 31,	2004	2003	2002
Cash flows from operating activities:			
Net income (loss)	$ 630,536	$ 323,416	$ (277,386)
Less income from discontinued operations	56,776	23,729	20,446
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Net realized (gains) losses on investments	(138,656)	60,966	478,637
Unrealized gains on trading portfolio	(8,360)	-	-
Risk management activity	(90,814)	127,949	476,533
Interest credited on deposit liabilities	1,364,803	1,575,254	1,589,508
Interest expense on trust instruments supported by funding agreements	143,317	131,792	144,619
Other charges	(216,383)	(226,156)	(205,450)
Amortization of discount and premium on investments	34,514	103,604	(27,358)
Deferred income tax provision	216,880	57,681	(284,448)
Change in:			
Accrued investment income	(29,741)	(17,061)	(47,193)
Deferred sales inducements and acquisition costs	(124,385)	(352,056)	(232,216)
Trading portfolio activity, net	(15,726)	-	-
Value of acquired insurance	20,882	19,647	18,479
Income taxes (receivable) payable to Parent	(19,485)	(64,717)	182,410
Other assets and liabilities, net	370,851	168,317	138,473
Net cash provided by operating activities of discontinued operations	28,671	55,454	45,408
Net cash provided by operating activities	2,110,128	1,940,361	1,979,570
Cash flows from investing activities:			
Sales of fixed maturities and equities available for sale	3,536,656	11,870,808	6,710,022
Principal repayments, maturities, calls and redemptions:			
Fixed maturities available for sale	2,836,775	4,184,613	4,939,946
Mortgage loans	804,356	69	482,060
Purchases of:			
Fixed maturities and equities available for sale	(7,551,922)	(18,565,653)	(14,034,703)
Mortgage loans	(1,111,534)	(1,008,846)	(620,042)
Other investing activities	(256,443)	(1,853,397)	571,866
Proceeds from sale of discontinued operations	260,051	-	-
Net cash provided by (used in) investing activities of discontinued operations	376,480	(178,856)	(250,044)
Net cash used in investing activities	(1,105,581)	(5,551,262)	(2,200,895)
Cash flows from financing activities:			
Policyholders' account balances:			
Deposits	8,300,160	6,783,741	8,789,168
Withdrawals	(6,180,543)	(5,377,602)	(5,699,339)
Net transfers to separate accounts	(2,394,722)	(1,523,759)	(295,315)
Proceeds from notes	26,264	23,485	44,124
Payments on notes	(44,784)	(220,220)	(227,463)
Payment of cash dividends to Parent	(120,000)	(85,200)	(142,000)
Capital contribution	-	20,000	590,000
Net cash provided by (used in) financing activities of discontinued operations	(426,055)	124,615	207,455
Net cash provided by (used in) financing activities	(839,680)	(254,940)	3,266,630
Net increase (decrease) in cash and short-term investments	164,867	(3,865,841)	3,045,305
Cash and short-term investments, beginning of year	1,255,559	5,121,400	2,076,095
Total cash and short-term investments, end of period	1,420,426	1,255,559	5,121,400
Less cash and short-term investments from discontinued operations	-	(24,877)	(23,664)
Net cash and short-term investments, end of period	$ 1,420,426	$ 1,230,682	$ 5,097,736

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements December 31, 2004

1 | Nature of Operations

Jackson National Life Insurance Company (the "Company" or "JNL®") is wholly owned by Brooke Life Insurance Company® ("Brooke Life" or the "Parent") which is ultimately a wholly owned subsidiary of Prudential plc ("Prudential"), London, England. JNL, together with its New York life insurance subsidiary, is licensed to sell group and individual annuity products (including immediate, fixed index and deferred fixed annuities and variable annuities), guaranteed investment contracts ("GICs") and individual life insurance products, including variable universal life, in all 50 states and the District of Columbia.

The consolidated financial statements include the accounts of the following:

- Life insurers: JNL and its wholly owned subsidiaries Jackson National Life Insurance Company of New York® and Jackson National Life (Bermuda) LTD;
- Wholly owned broker-dealer, investment management and investment adviser subsidiaries: Jackson National Life Distributors, Inc, Jackson National Asset Management, LLC and Curian Capital®, LLC;
- PPM America Special Investments Fund, L.P. ("SIF I") and PPM America Special Investments CBO II, L.P. ("CBO II"), (collectively, "PPMA Funds"). JNL has effective managerial control of the PPMA Funds. JNL owns 72.0% interest in SIF I and 15.1% interest in CBO II. The minority interest reflected in the accompanying consolidated financial statements reflects the interests of other parties in the PPMA Funds.
- Tuscany CDO, Limited ("Tuscany"), a variable interest entity created in 2001 to securitize certain fixed maturities owned by JNL. JNL is the primary beneficiary of Tuscany.
- Other partnerships, limited liability companies and variable interest entities in which JNL has a controlling interest or is deemed the primary beneficiary.
- The discontinued operations of Jackson Federal Bank® ("Jackson Federal") through October 28, 2004. See note 3 for additional information.

2 | Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the current year presentation with no impact on stockholder's equity or net income (loss).

The preparation of the financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates. Significant estimates or assumptions, as further discussed in the notes, include: 1) valuation of investments, including fair values of securities without readily ascertainable market values and the determination of when an unrealized loss is other than temporary; 2) assessments as to whether certain entities are variable interest entities and which party, if any, should consolidate the entity; 3) assumptions impacting future gross profits, including lapse and mortality rates, expenses, investment returns and policy crediting rates, used in the calculation of amortization of deferred acquisition costs and deferred sales inducements; 4) assumptions used in calculating policy reserves and liabilities, including lapse and mortality rates, expenses and investment returns; 5) assumptions as to future earnings levels being sufficient to realize deferred tax benefits; and 6) estimates related to recoverability of acquired insurance in force, establishment of loan loss reserves, liabilities for lawsuits and establishment of the liability for state guaranty fund assessments.

Changes in Accounting Principles

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). EITF 03-1 provides more specific guidance on how to determine when an investment is considered impaired, whether the impairment is other than temporary, and how to measure an impairment loss. On September 30, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position EITF Issue 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-01, 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments'" delaying the effective date of paragraphs 10-20 of EITF 03-1 until the FASB has resolved certain implementation issues. JNL adopted the disclosure requirements of EITF 03-1 for the year ended December 31, 2004 and will continue to apply the other-than-temporary impairment guidance included in existing literature.

Effective January 1, 2004, JNL adopted the Accounting Standards Executive Committee of the American Institute of Certified Public Accountant's Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1"). SOP 03-1 addresses separate account presentation, transfers of assets from the general account to the separate account, valuation of certain insurance liabilities and policy features such as guaranteed minimum death benefits and annuitization benefits and accounting for sales inducements. At January 1, 2004, the Company recorded an $8.9 million gain, net of increased deferred acquisition cost amortization of $16.2 million and federal income tax expense of $4.8 million, as a cumulative effect of change in accounting principle. See note 8 for additional information.

Effective October 1, 2003, JNL adopted Derivatives Implementation Group Statement of Financial Accounting Standards No. 133 Implementation Issue No. B36, "Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments" ("DIG B36"). DIG B36 addresses questions related to embedded derivatives in modified coinsurance reinsurance treaties (where funds are withheld by the ceding company) and in debt instruments that incorporate credit risk exposures that are unrelated or partially related to the creditworthiness of the obligor. Implementation of DIG B36 did not have a material impact on JNL's results of operations or financial position.

Effective July 1, 2003, JNL adopted Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("FAS 150"). FAS 150 requires that companies with consolidated entities that will terminate by a specific date, such as limited-life partnerships, disclose the other owners' interests in those limited-life entities based on the fair values of the limited-life entities' assets. The adoption of FAS 150 did not have a material impact on JNL's results of operations or financial position.

The consolidated financial statements include the PPMA Funds, which are two limited life partnerships. Upon termination of the partnerships, the assets will be sold and proceeds distributed to the partners in accordance with their respective partnership interests. The assets of the PPMA Funds are marketable securities, which are carried at fair value, with an appropriate adjustment to minority interest, in the accompanying financial statements. Accordingly, the minority interest liability is reflected at fair value in the accompanying consolidated balance sheets.

Effective January 31, 2003, JNL adopted the Financial Accounting Standards Board's ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), and effective December 31, 2003, JNL adopted FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"). FIN 46R is an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," which requires an enterprise to assess whether consolidation of an entity is appropriate based upon its interests in a variable interest entity ("VIE"). FIN 46R provides guidance on how to identify a VIE and how an enterprise should assess its interests in a VIE. It also requires existing VIEs to be consolidated by their primary beneficiaries, defined as the party that absorbs a majority of the expected losses and/or residual returns of the VIE.

Pursuant to the guidance provided by FIN 46R, the Company has concluded that it owns interests in VIEs that represent primary beneficial interests. These VIEs are included in the consolidated financial statements and include entities structured to hold and manage investments, including real estate properties and interests in commercial loans. In addition, JNL has an investment of $31.7 million as of December 31, 2004, in debt issued by a VIE structured to hold and manage interests in commercial loans, for which it is not the primary beneficiary.

Effective January 1, 2002, JNL adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 requires that goodwill and other intangible assets deemed to have indefinite lives no longer be amortized to earnings, but instead be reviewed at least annually for impairment. Intangible assets with definite lives will continue to be amortized over their useful lives. The adoption of FAS 142 did not have a material impact on JNL's results of operations or financial position.

Effective January 1, 2002, JNL adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). FAS 144 requires majority owned subsidiaries for which control is likely to be temporary to be consolidated. In addition, FAS 144 does not apply to goodwill and other intangible assets that are not amortized. The adoption of FAS 144 did not have a material impact on JNL's results of operations or financial position.

Comprehensive Income

Comprehensive income includes all changes in stockholder's equity (except those arising from transactions with owners/stockholder) and, in the Company's case, includes net income and net unrealized gains or losses on securities.

Investments

Cash and short-term investments, which primarily include commercial paper and money market instruments, are carried at amortized cost. These investments have maturities of three months or less and are considered cash equivalents for reporting cash flows.

Fixed maturities consist of debt securities and commercial loans. Debt securities include bonds, notes, redeemable preferred stocks, mortgage-backed securities and structured securities. Acquisition discounts and premiums on fixed maturities are amortized into investment income through call or maturity dates using the interest method. Mortgage-backed and structured securities are amortized over the estimated redemption period. All debt securities are classified as available for sale and are carried at fair value. For declines in fair value considered to be other than temporary, the cost basis of debt securities is reduced to estimated net realizable value, or in the case of other than high credit quality beneficial interests in securitized financial assets, fair value. In determining whether an other than temporary impairment has occurred, the Company considers a security's forecasted cash flows as well as the severity and duration of depressed fair values. Commercial loans include certain term and revolving notes, as well as certain receivables arising from asset based lending activities. Commercial loans are carried at outstanding principal balances.

Equities, which include common stocks and non-redeemable preferred stocks, are carried at fair value. In 2003, equities also included investments in mutual funds. Equities are reduced to estimated net realizable value for declines in fair value considered to be other than temporary.

During 2004, the Company transferred its investment in mutual funds from available for sale to a trading portfolio and recognized a loss of $9.3 million. These trading securities primarily consist of investments in mutual funds that support liabilities of the Company's non-qualified, voluntary deferred compensation plans. Also included is seed money that supports newly established variable funds. Trading securities are carried at fair value with changes in value reflected as investment income in the income statement. At December 31, 2003, mutual funds with a market value of $89.4 million were included in available for sale equities and an unrealized loss on mutual funds of $11.4 million was included in other comprehensive income. During 2004, $12.6 million of investment income recognized relates to trading securities held at December 31, 2004.

Mortgage loans are carried at aggregate unpaid principal balances, net of unamortized discounts and premiums and an allowance for loan losses. The allowance for loan losses is maintained at a level considered adequate to provide for losses inherent in the mortgage loan portfolio.

Policy loans are carried at the unpaid principal balances.

Real estate is carried at the lower of depreciated cost or fair value.

Limited partnership investments are accounted for using the equity method.

Realized gains and losses on sales of investments are recognized in income at the date of sale and are determined using the specific cost identification method. The changes in unrealized gains and losses on investments classified as available for sale, net of tax and the effect of the deferred acquisition costs adjustment, are excluded from net income and included as a component of other comprehensive income and stockholder's equity.

Determination of Fair Value for Illiquid Distressed Securities

Prior to 2003, the Company used independently obtained estimates of fair value for all securities for which such values were available. With respect to certain illiquid distressed securities, these values were broker-provided quotes which may not generally be the best representation of fair value, considered to be a value obtainable in a transaction between willing parties. Effective January 1, 2003, fair values for illiquid distressed securities are primarily determined based on internally derived estimates of discounted future cash flows or expected recovery values. Liquidation values for these illiquid distressed securities would generally be lower, and in many cases significantly lower, than internally derived fair values. The amortized cost and fair value of illiquid distressed securities valued internally was $394.0 million and $403.8 million, respectively, at December 31, 2004 and $457.5 million and $459.8 million, respectively, at December 31, 2003.

The refinement of estimated fair value of illiquid distressed securities had no impact on net income and increased other comprehensive income in 2003 by $3.2 million.

Derivative Instruments, Embedded Derivatives and Risk Management Activity

The Company enters into financial derivative transactions, including swaps, forwards, put-swaptions, futures and options to reduce and manage business risks. These transactions manage the risk of a change in the value, yield, price, cash flows, or quantity of, or a degree of exposure with respect to assets, liabilities, or future cash flows, which the Company has acquired or incurred. The Company manages the potential credit exposure for over-the-counter derivative contracts through careful evaluation of the counterparty credit standing, collateral agreements, and master netting agreements. The Company is exposed to credit-related losses in the event of nonperformance by counterparties, however, it does not anticipate nonperformance.

The Company generally uses free-standing derivative instruments for hedging purposes. Additionally, certain liabilities, primarily trust instruments supported by funding agreements, equity index-linked annuities and variable annuities, issued by the Company contain embedded derivatives as defined by Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). The Company does not account for such derivatives as either fair value or cash flow hedges as might be permitted if specific hedging documentation requirements of FAS 133 were followed. Financial derivatives, including derivatives embedded in certain host liabilities that have been separated for accounting and financial reporting purposes, are carried at fair value. The results from derivative financial instruments and embedded derivatives, including net payments, realized gains and losses and changes in value, are reported in risk management activity.

Interest rate swap agreements generally involve the exchange of fixed and floating payments over the life of the agreement without an exchange of the underlying principal amount. Interest rate swaps outstanding at December 31, 2004 and 2003 are used for hedging purposes. Interest rate swaps are included in other invested assets or other liabilities.

Forwards consist of interest rate spreadlock agreements, in which the Company locks in the forward interest rate differential between a swap and the corresponding U.S. Treasury security. The forwards are held for investment purposes and are included in other invested assets.

Put-swaption contracts provide the purchaser with the right, but not the obligation, to require the writer to pay the present value of a long duration interest rate swap at future exercise dates. The Company purchases and writes put-swaptions with maturities up to 10 years. On a net basis, put-swaptions hedge against significant upward movements in interest rates. Written put-swaptions are grouped with associated put-swaptions purchased with identical strike prices and notional amounts ("linked put-swaptions") and are presented as a net position included in other liabilities. Non-linked put-swaptions purchased are included in other invested assets.

Equity index futures contracts and equity index call options, which are used to hedge the Company's obligations associated with its issuance of equity index-linked immediate and deferred annuities, are included in other invested assets or other liabilities. These annuities contain embedded options whose fair value is included in deposits on investment contracts.

Total return swaps, in which the Company receives equity returns or returns based on reference pools of assets in exchange for short-term floating rate payments based on notional amounts, are held for both hedging and investment purposes, and are included in other invested assets or other liabilities.

Cross-currency swaps, which embody spot and forward currency swaps and additionally, in some cases, interest rate swaps and equity index swaps, are entered into for the purpose of hedging the Company's foreign currency denominated funding agreements supporting trust instrument obligations. Cross-currency swaps serve to hedge derivatives embedded in the funding agreements and are included in other invested assets or other liabilities. The fair value of derivatives embedded in funding agreements, as well as foreign currency transaction gains and losses, are included in the carrying value of the trust instruments supported by funding agreements. Foreign currency transaction gains and losses associated with funding agreements hedging activities are included in risk management activity.

Deferred Acquisition Costs

Certain costs of acquiring new business, principally commissions and certain costs associated with policy issue and underwriting, which vary with and are primarily related to the production of new business, have been capitalized as deferred acquisition costs. Deferred acquisition costs are increased by interest thereon and amortized in proportion to anticipated premium revenues for traditional life policies and in proportion to estimated gross profits for annuities and interest-sensitive life products. As certain fixed maturities and equities available for sale are carried at fair value, an adjustment is made to deferred acquisition costs equal to the change in amortization that would have occurred if such securities had been sold at their stated fair value and the proceeds reinvested at current yields. The change in this adjustment is included with the change in fair value of fixed maturities and equities available for sale, net of tax, that is credited or charged directly to stockholder's equity and is a component of other comprehensive income. Deferred acquisition costs have been decreased by $676.8 million and $816.2 million at December 31, 2004 and 2003, respectively, to reflect this adjustment.

During 2002, poor equity market performance lowered future expected profits on the variable annuity product line through lower fee income and an increased provision for future guaranteed minimum death benefit claims. As a result, the deferred acquisition cost asset associated with the variable annuities became impaired. During 2002, the asset was reduced through increased amortization of approximately $128.3 million primarily due to the poor equity market performance. No such deferred acquisition cost asset impairments were recorded in 2004 or 2003. However, further impairments or accelerated amortization of this deferred acquisition cost asset may result if future equity market returns are below assumed levels.

Deferred Sales Inducements

Bonus interest on single premium deferred annuities and contract enhancements on variable annuities have been capitalized as deferred sales inducements. Deferred sales inducements are increased by interest thereon and amortized in proportion to estimated gross profits. As certain fixed maturities and equities available for sale are carried at fair value, an adjustment is made to deferred sales inducements equal to the change in amortization that would have occurred if such securities had been sold at their stated fair value and the proceeds reinvested at current yields. The change in this adjustment is included with the change in fair value of fixed maturities and equities available for sale, net of tax, that is credited or charged directly to stockholder's equity and is a component of other comprehensive income. Deferred sales inducements have been decreased by $93.2 million and $88.6 million at December 31, 2004 and 2003, respectively, to reflect this adjustment.

Value of Acquired Insurance

The value of acquired insurance in-force at acquisition date represents the present value of anticipated profits of the business in-force on November 25, 1986 (the date the Company was acquired by Prudential) net of amortization. The value of acquired insurance in-force is amortized in proportion to anticipated premium revenues for traditional life insurance contracts and estimated gross profits for annuities and interest-sensitive life products over a period of 20 years.

Federal Income Taxes

The Company provides deferred income taxes on the temporary differences between the tax and financial statement basis of assets and liabilities.

JNL files a consolidated federal income tax return with Brooke Life and Jackson National Life Insurance Company of New York®. Jackson National Life Distributors, Inc. files a separate income tax return. The PPMA Funds file as limited partnerships and pass through the appropriate portion of their income and deductions to their partners. Jackson National Life (Bermuda) LTD is taxed as a controlled foreign corporation of JNL. The other affiliated subsidiary entities are limited liability companies with all of their interests owned by JNL. Accordingly, they are not considered separate entities for income tax purposes; and therefore, are taxed as part of the operations of JNL. Jackson Federal Bank filed a separate income tax return during the period it was owned by JNL. Income tax expense is calculated on a separate company basis.

Assets and Liabilities of Discontinued Operations

Assets and liabilities of discontinued operations represent the accounts of Jackson Federal which was sold to Union BanCal Corporation on October 28, 2004. See note 3 for a full discussion of discontinued operations.

Policy Reserves and Liabilities

Reserves for future policy benefits and claims payable:

For traditional life insurance contracts, reserves for future policy benefits are determined using the net level premium method and assumptions as of the issue date as to mortality, interest, policy lapsation and expenses plus provisions for adverse deviations. Mortality assumptions range from 50% to 90% of the 1975-1980 Basic Select and Ultimate tables depending on policy duration. Interest rate assumptions range from 4.0% to 8.0%. Lapse and expense assumptions are based on Company experience.

Deposits on investment contracts:

For the Company's interest-sensitive life contracts, liabilities approximate the policyholder's account value. For deferred annuities, the fixed option on variable annuities, guaranteed investment contracts and other investment contracts, the liability is the policyholder's account value. The liability for fixed index annuities is based on two components, 1) the imputed value of the underlying guaranteed host contract, and 2) the fair value of the embedded option component of the contract. Obligations in excess of the guaranteed contract value are hedged through the use of futures contracts and call options.

Trust Instruments Supported by Funding Agreements

JNL and Jackson National Life Funding, LLC have established a European Medium Term Note program, with up to $6 billion in aggregate principal amount outstanding at any one time. Jackson National Life Funding, LLC was formed as a special purpose vehicle solely for the purpose of issuing instruments to institutional investors, the proceeds of which are deposited with JNL and secured by the issuance of Funding Agreements. Outstanding balances totaled $2.9 billion and $4.1 billion at December 31, 2004 and 2003, respectively.

JNL and Jackson National Life Global Funding have established a $6 billion aggregate Global Medium Term Note program. Jackson National Life Global Funding was formed as a statutory business trust, solely for the purpose of issuing instruments to institutional investors, the proceeds of which are deposited with JNL and secured by the issuance of Funding Agreements. The outstanding balances at December 31, 2004 and 2003 totaled $3.0 billion and $2.2 billion, respectively.

Instruments issued representing obligations denominated in a foreign currency have been hedged for changes in exchange rates using cross-currency swaps. The fair value of derivatives embedded in funding agreements, as well as foreign currency transaction gains and losses, are included in the carrying value of the trust instruments supported by funding agreements.

Trust instrument liabilities are adjusted to reflect the effects of foreign currency transaction gains and losses using exchange rates as of the reporting date. Foreign currency transaction gains and losses are included in risk management activity.

Separate Account Assets and Liabilities

The assets and liabilities resulting from individual variable life and annuity contracts, which aggregated $10,267.1 million and $6,978.1 million at December 31, 2004 and 2003, respectively, are segregated in separate accounts. The Company receives administrative fees for managing the funds and other fees for assuming mortality and certain expense risks. Such fees are recorded as earned and included in fee income in the consolidated income statements.

The Company has issued a group variable annuity contract designed for use in connection with and issued to the Company's Defined Contribution Retirement Plan. These deposits are allocated to the Jackson National Separate Account - II and aggregated $85.8 million and $69.4 million at December 31, 2004 and 2003, respectively. The Company receives administrative fees for managing the funds and these fees are recorded as earned and included in fee income in the consolidated income statements.

Revenue and Expense Recognition

Premiums for traditional life insurance are reported as revenues when due. Benefits, claims and expenses are associated with earned revenues in order to recognize profit over the lives of the contracts. This association is accomplished by provisions for future policy benefits and the deferral and amortization of acquisition costs.

Deposits on interest-sensitive life products and investment contracts, principally deferred annuities and guaranteed investment contracts, are treated as policyholder deposits and excluded from revenue. Revenues consist primarily of the investment income and charges assessed against the policyholder's account value for mortality charges, surrenders and administrative expenses. Fee income also includes revenues related to asset management and 12b-1 service fees. Surrender benefits are treated as repayments of the policyholder account. Annuity benefit payments are treated as reductions to the policyholder account. Death benefits in excess of the policyholder account are recognized as an expense when incurred. Expenses consist primarily of the interest credited to policyholder deposits. Underwriting and other acquisition expenses are associated with gross profit in order to recognize profit over the life of the business. This is accomplished by deferral and amortization of acquisition costs and sales inducements. Non-acquisition expenses are recognized as incurred.

Investment income is not accrued on securities in default and otherwise where the collection is uncertain. Subsequent receipts of interest on such securities are generally used to reduce the cost basis of the securities.

In 2004, the Company received cash proceeds of $51.9 million from a judgment award in a legal action involving LePages, Inc., a company in which JNL had a controlling interest. This gain was recorded in other income.

3 | Discontinued Operations

On October 28, 2004, the Company completed the sale of Jackson Federal, a wholly owned thrift headquartered in Southern California, to Union BanCal Corporation for $305.0 million in cash and stock. On October 27, 2004, JNL made a capital contribution of $4.6 million to Jackson Federal prior to closing to fund certain expenses incurred by Jackson Federal related to the sale. The gain on disposal and results of operations of Jackson Federal for all periods presented are included in discontinued operations on the consolidated income statement.

The following table summarizes certain components of the results of the discontinued operations (in thousands):

	Period ended October 28, 2004	Year ended December 31, 2003	Year ended December 31, 2002
Revenues	$ 79,813	$ 108,200	$ 108,152
Realized gains (losses)	$ 1,700	$ 69	$ (1,127)
Income from discontinued operations, net of tax of $11,064 in 2004; $9,190 in 2003 and $10,783 in 2002	$ 20,658	$ 23,729	$ 20,446
Gain on disposal of discontinued operations, net of tax of $29,580	$ 36,118	$ -	$ -

The following table presents summarized balance sheet information of the discontinued operations (in thousands):

	December 31, 2003
Cash and short-term investments	$ 24,877
Mortgage-backed securities available for sale, at fair value	486,741
Loans receivable held for investment, net	1,180,100
Federal Home Loan Bank stock, at cost	23,350
Core deposits and goodwill	62,644
Other assets	32,477
Total assets of discontinued operations	$ 1,810,189
Savings deposits	$ 1,115,550
Advances from the Federal Home Loan Bank	467,000
Other liabilities	18,570
Total liabilities of discontinued operations	$ 1,601,120

Mortgage-backed securities at December 31, 2003 had an amortized cost of $483.6 million, gross unrealized gains of $4.0 million, gross unrealized losses of $0.9 million and a fair value of $486.7 million.

Mortgage loans, net of allowance for loan losses of $13.9 million at December 31, 2003 included $841.5 million of residential loans and $338.6 million of commercial loans. The fair value approximated $1,223.0 million at December 31, 2003.

Core deposits and goodwill represented the excess of purchase price over the fair value of assets acquired in the purchase of Jackson Federal, Highland Federal Bank, and the Fremont branch. The core deposit intangibles were being amortized over 7 years. With the adoption of FAS 142 on January 1, 2002, goodwill was no longer amortized but was subject to periodic impairment tests. No goodwill impairment charges were recorded. At December 31, 2003, the core deposit balance was $8.3 million and the goodwill balance was $54.3 million.

Savings deposits were comprised of banking deposits held by Jackson Federal, and included demand deposits, passbook and statement savings, money market and certificates of deposit. Savings deposit liabilities were reported at the outstanding balance of the accounts. At December 31, 2003, the fair value of savings deposits with no stated maturity was equal to their carrying amount which approximated $1.1 billion and had a weighted average interest rate of 2.30%. Interest expense, which is included in discontinued operations, totaled $19.5 million, $27.6 million and $31.7 million in 2004, 2003 and 2002, respectively.

Jackson Federal utilized the credit programs offered by the Federal Home Loan Bank ("FHLB"). FHLB advances, which matured in years through 2008, totaled $467.0 million at December 31, 2003 at a weighted average interest rate of 2.08%. Fixed rate advances totaled $440.0 million at December 31, 2003. The advances were collateralized by mortgage loans and mortgage-backed securities totaling $875.9 million at December 31, 2003. Interest paid, which is included in discontinued operations, totaled $7.0 million, $12.4 million and $15.1 million in 2004, 2003 and 2002, respectively.

4 | Fair Value of Financial Instruments

Disclosure is required of fair value of financial instruments for which it is practicable to estimate that value. In cases where quoted market prices are not available, and beginning in 2003 for illiquid distressed securities, fair values are based on estimates using discounted cash flows or other valuation techniques. Such values are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent market quotes and, in many cases, could not be realized in immediate settlement of the instrument.

The following summarizes the basis used by the Company in estimating fair values for financial instruments:

Cash and Short-Term Investments:

Carrying value is considered to be a reasonable estimate of fair value.

Fixed Maturities:

Fair values for fixed maturity securities are based principally on quoted market prices, if available. For securities that are not actively traded, fair values are estimated using independent pricing services or are analytically determined. Fair values for illiquid distressed securities are primarily determined based on internally derived estimates of discounted future cash flows or expected recovery values.

Equities and Trading Securities:

Fair values for common and non-redeemable preferred stock are based principally on quoted market prices, if available. For securities that are not actively traded, fair values are estimated using independent pricing services or are analytically determined. Fair values of investments in mutual funds are based on quoted net asset values.

Mortgage Loans:

Fair values are determined by discounting the future cash flows to the present at current market rates. The fair value of mortgages approximated $4,929.1 million and $4,659.6 million at December 31, 2004 and 2003, respectively.

Policy Loans:

Fair value approximates carrying value since policy loan balances reduce the amount payable at death or surrender of the contract.

Derivative Instruments:

Fair values for interest rate swaps, cross-currency swaps, put-swaptions, and total return swaps are determined using estimates of future cash flows discounted at current market rates. Fair values for futures are based on exchange-traded prices. Fair values for equity index call options are determined using Black-Scholes option valuation methodologies.

The fair value of the Company's guaranteed minimum withdrawal benefit embedded derivative liability has been calculated based on actuarial assumptions related to the projected cash flows, including benefits and related contract charges, over the expected lives of the contracts, incorporating expectations regarding policyholder behavior in varying economic conditions. The nature of these cash flows can be quite varied. Therefore, stochastic techniques are used to generate a variety of market return scenarios for evaluation. The generation of these scenarios and the assumptions as to policyholder behavior involve numerous estimates and subjective judgments including those regarding expected market volatility, correlations of market returns and discount rates, utilization of the benefit by policyholders under varying conditions and policyholder lapsation. At each valuation date, the Company assumes expected returns based on risk-free rates as represented by the LIBOR forward curve rates as of that date and market volatility as determined with reference to implied volatility data and evaluations of historical volatilities for various indices. The risk-free spot rates as represented by the LIBOR spot curve as of the valuation date are used to determine the present value of expected future cash flows produced in the stochastic process.

The Company reinsures essentially 100% of its guaranteed minimum income benefit on a net settled basis. Accordingly, this is considered an embedded derivative and the Company determines the fair value using actuarial assumptions related to the projected cash flows, including reinsurance premiums and related benefit reimbursements, over the expected lives of the contracts, incorporating expectations regarding policyholder behavior in varying economic conditions. The nature of these cash flows can be quite varied. Accordingly, the Company evaluates the cash flows over a series of deterministic economic scenarios coupled with assumptions as to policyholder behavior regarding utilization of the benefit. Discount rates are the average return of the scenarios.

Separate Account Assets:

Separate account assets are carried at the market value of the underlying securities.

Annuity Reserves:

Fair values for immediate annuities, without mortality features, are derived by discounting the future estimated cash flows using current interest rates for similar maturities. For deferred annuities, fair value is based on surrender value. For fixed index immediate and deferred annuities, fair value includes the fair value of the embedded options. The carrying value and fair value of such annuities approximated $28.7 billion and $28.0 billion, respectively, at December 31, 2004 and $27.5 billion and $26.7 billion, respectively, at December 31, 2003.

Reserves for Guaranteed Investment Contracts:

Fair value is based on the present value of future cash flows at current pricing rates. The fair value approximated $1.9 billion and $1.8 billion at December 31, 2004 and 2003, respectively.

Trust Instruments Supported by Funding Agreements:

Fair value is based on the present value of future cash flows at current pricing rates, plus the fair value of embedded derivatives. The fair value approximated $5.9 billion and $6.3 billion at December 31, 2004 and 2003, respectively.

Reverse Repurchase Agreements:

Carrying value of reverse repurchase agreements is considered to be a reasonable estimate for fair value.

Notes Payable:

Fair value of notes payable is based on future cash flows discounted at current interest rates. The fair value approximated $565.4 million and $565.3 million at December 31, 2004 and 2003, respectively.

Separate Account Liabilities:

Fair value of contracts in the accumulation phase is based on account value less surrender charges. Fair value of contracts in the payout phase is based on the present value of future cash flows at assumed investment rates. The aggregate fair value approximated $9.7 billion and $6.6 billion at December 31, 2004 and 2003, respectively.

5 | Investments

Investments are comprised primarily of fixed-income securities, primarily publicly-traded industrial, mortgage-backed, utility and government bonds, and mortgage and commercial loans. Mortgage-backed securities include asset-backed and other structured securities. The Company generates the majority of its deposits from interest-sensitive individual annuity contracts, life insurance products and guaranteed investment contracts on which it has committed to pay a declared rate of interest. The Company's strategy of investing in fixed-income securities and loans aims to ensure matching of the asset yield with the interest-sensitive liabilities and to earn a stable return on its investments.

Fixed Maturities

The following table sets forth fixed maturity investments at December 31, 2004, classified by rating categories as assigned by nationally recognized statistical rating organizations, the National Association of Insurance Commissioners ("NAIC"), or if not rated by such organizations, the Company's investment adviser. At December 31, 2004, the carrying value of investments rated by the Company's investment adviser totaled $312.3 million. For purposes of the table, if not otherwise rated higher by a nationally recognized statistical rating organization, NAIC Class 1 investments are included in the A rating; Class 2 in BBB; Class 3 in BB and Classes 4 through 6 in B and below.

Investment Rating	Percent of Total Fixed Maturities December 31, 2004
AAA	15.1%
AA	7.7
A	29.8
BBB	40.1
Investment grade	92.7
BB	5.9
B and below	1.4
Below investment grade	7.3
Total fixed maturities	100.0%

The amortized cost and carrying value of fixed maturities in default that were anticipated to be income producing when purchased were $7.7 million and $8.4 million, respectively, at December 31, 2004. The amortized cost and carrying value of fixed maturities that have been non-income producing for the 12 months preceding December 31, 2004 were $11.0 million and $11.8 million, respectively, and for the 12 months preceding December 31, 2003 were $87.3 million and $96.0 million, respectively.

The amortized cost, gross unrealized gains and losses and fair value of fixed maturities are as follows (in thousands):

December 31, 2004	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 4,139	$ 133	$ 2	$ 4,270
U.S. Government agencies and foreign governments	3,622	326	64	3,884
Public utilities	2,691,498	192,109	1,890	2,881,717
Corporate securities and commercial loans	26,272,003	1,666,694	90,953	27,847,744
Mortgage-backed securities	8,335,372	201,691	61,162	8,475,901
Total	$ 37,306,634	$ 2,060,953	$ 154,071	$ 39,213,516

December 31, 2003	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 4,156	$ 200	$ 3	$ 4,353
U.S. Government agencies and foreign governments	1,837	330	-	2,167
Public utilities	2,370,585	175,446	4,090	2,541,941
Corporate securities and commercial loans	24,440,620	1,946,199	103,294	26,283,525
Mortgage-backed securities	9,175,868	244,571	81,901	9,338,538
Total	$ 35,993,066	$ 2,366,746	$ 189,288	$ 38,170,524

At December 31, 2004 and 2003, available for sale securities without a readily ascertainable market value having an amortized cost of $5,595.5 million and $4,889.6 million, respectively, had estimated fair values of $5,842.9 million and $5,197.8 million, respectively.

The amortized cost and fair value of fixed maturities at December 31, 2004, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities where securities can be called or prepaid with or without early redemption penalties.

	Amortized Cost	Fair Value
Due in 1 year or less	$ 564,799	$ 573,320
Due after 1 year through 5 years	6,025,003	6,380,670
Due after 5 years through 10 years	17,482,640	18,630,848
Due after 10 years through 20 years	3,096,957	3,248,579
Due after 20 years	1,801,863	1,904,198
Mortgage-backed securities	8,335,372	8,475,901
Total	$ 37,306,634	$ 39,213,516

Fixed maturities with a carrying value of $4.0 million and $4.1 million at December 31, 2004 and 2003 were on deposit with regulatory authorities, as required by law in various states in which business is conducted.

As of December 31, 2004, the fair value and the amount of gross unrealized losses included in accumulated other comprehensive income in stockholder's equity are as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Government securities	$ 2	$ 1,065	$ -	$ -	$ 2	$ 1,065
U.S. Government agencies and foreign governments	64	2,125	-	-	64	2,125
Public utilities	1,551	263,095	339	33,842	1,890	296,937
Corporate securities and commercial loans	50,851	4,161,109	40,102	702,653	90,953	4,863,762
Mortgage-backed securities	12,911	1,137,422	48,251	1,883,928	61,162	3,021,350
Subtotal - fixed maturities	65,379	5,564,816	88,692	2,620,423	154,071	8,185,239
Equities	1,776	6,343	197	-	1,973	6,343
Total temporarily impaired securities	$ 67,155	$ 5,571,159	$ 88,889	$ 2,620,423	$ 156,044	$ 8,191,582

To the extent unrealized losses are not due to minor changes in interest rates, securities in an unrealized loss position are regularly reviewed for other than temporary declines in value. Factors considered in determining whether a decline is other than temporary include the length of time a security has been in an unrealized loss position, reasons for the decline in value and expectations for the amount and timing of a recovery in value.

Assessment factors include judgments about an obligor's current and projected financial position, an issuer's current and projected ability to service and repay its debt obligations, the existence of, and realizable value of, any collateral backing obligations, the macro-economic outlook and micro-economic outlooks for specific industries and issuers. Assessing the duration of mortgage-backed securities can also involve assumptions regarding underlying collateral such as prepayment rates, default and recovery rates, and third-party servicing abilities.

Of the total carrying value for fixed maturities in an unrealized loss position at December 31, 2004, 77.2% were investment grade, 7.0% were below investment grade and 15.8% were not rated. Unrealized losses from fixed maturities that were below investment grade or not rated represented approximately 31.6% of the aggregate gross unrealized losses on available for sale fixed maturities.

Corporate fixed maturities in an unrealized loss position were diversified across industries. As of December 31, 2004, the industries representing the larger unrealized losses included financial services (20.1% of fixed maturities gross unrealized losses) and energy and utilities (9.1%). Other debt securities in an unrealized loss position are primarily asset-backed securities, including collateralized debt obligations. As of December 31, 2004, asset-backed other debt securities represented 13.1% of fixed maturities' gross unrealized losses, including 2.4% related to collateralized debt obligations. The Company had no material unrealized losses on individual fixed maturities or equities at December 31, 2004.

The amount of gross unrealized losses for fixed maturities in a loss position by maturity date of the fixed maturities as of December 31, 2004 are as follows (in thousands):

	Gross Unrealized Losses
Less than one year	$ 652
One to five years	6,121
Five to ten years	24,985
More than ten years	61,151
Mortgage-backed securities	61,162
Total gross unrealized losses	$ 154,071

Mortgage Loans

Commercial mortgage loans, net of allowance for loan losses of $21.0 million and $12.3 million at December 31, 2004 and 2003, respectively, total $4,633.0 million and $4,325.8 million at December 31, 2004 and 2003, respectively. At December 31, 2004, mortgage loans were collateralized by properties located in 40 states and Canada.

Securitizations

In November 2003, JNL executed the Piedmont CDO Trust ("Piedmont") securitization transaction. In this transaction, JNL contributed $1,159.6 million of asset-backed securities, ultimately to Piedmont, which issued several classes of debt to acquire such securities. In accordance with the accounting treatment promulgated by Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," the transaction was recorded as a sale; however, JNL retained beneficial interests in the contributed asset-backed securities of approximately 80% by acquiring certain securities issued by Piedmont. JNL recognized a loss of approximately $100 thousand related to the sale, to third parties, of the entire most senior class of securities issued by Piedmont. Piedmont is a Qualified Special Purpose Entity and accordingly, is not consolidated in the accompanying financial statements. JNL's investment in securities issued by Piedmont totals $918.0 million and $941.1 million at December 31, 2004 and 2003, respectively, and is included in fixed maturities.

Other Invested Assets

Other invested assets include investments in 1) limited partnerships that total $767.5 million and $821.1 million at December 31, 2004 and 2003, respectively; 2) derivative instruments with positive fair values and 3) real estate. Real estate totaling $143.2 million and $80.9 million at December 31, 2004 and 2003, respectively, includes foreclosed properties with a book value of $21.2 million and $8.5 million at December 31, 2004 and 2003, respectively. Limited partnership income (loss) recognized by the Company was $105.2 million, $14.5 million and $(64.9) million in 2004, 2003 and 2002, respectively.

Certain limited partnerships hold publicly-traded equity securities that are fair valued at a discount to their exchange-traded price as a result of lock-up trading restrictions imposed in connection with initial public offering transactions. These lock up restrictions are for a limited period of time, generally six months, and preclude the partnerships from selling these securities during the restricted period. These discounts range from 5% to 15% at December 31, 2004.

The fair value of free-standing derivative instruments reflects the estimated amounts, net of payment accruals, that the Company would receive or pay upon sale or termination of the contracts at the reporting date. With respect to swaps, put-swaptions and forwards, the notional amount represents the stated principal balance used as a basis for calculating payments. With respect to futures and options, the contractual amount represents the market exposure of open positions.

A summary of the aggregate contractual or notional amounts and fair values of derivative instruments outstanding is as follows (in thousands):

	Other Invested Assets		Other Liabilities		
December 31, 2004	**Contractual/ Notional Amount**	**Fair Value**	**Contractual/ Notional Amount**	**Fair Value**	**Net Fair Value**
Cross-currency swaps	$ 1,754,088	$ 406,637	$ 79,737	$ (4,778)	$ 401,859
Equity index call options	1,819,150	121,363	22,718	(3,615)	117,748
Put-swaptions	15,000,000	10,104	25,000,000	(2,198)	7,906
Futures	65,675	-	-	-	-
Forwards	700,000	579	-	-	579
Total return swaps	1,053,035	27,028	215,438	(48,226)	(21,198)
Interest rate swaps	4,313,566	151,982	6,213,000	(442,416)	(290,434)
	$ 24,705,514	$ 717,693	$ 31,530,893	$ (501,233)	$ 216,460

	Other Invested Assets		Other Liabilities		
December 31, 2003	**Contractual/ Notional Amount**	**Fair Value**	**Contractual/ Notional Amount**	**Fair Value**	**Net Fair Value**
Cross-currency swaps	$ 2,425,849	$ 477,782	$ 106,579	$ (13,220)	$ 464,562
Equity index call options	1,742,550	96,221	-	-	96,221
Put-swaptions	27,500,000	164,887	10,000,000	(161,221)	3,666
Futures	3,168	-	-	-	-
Total return swaps	3,035	1,506	215,438	(44,147)	(42,641)
Interest rate swaps	6,260,365	269,262	8,316,000	(695,966)	(426,704)
	$ 37,934,967	$ 1,009,658	$ 18,638,017	$ (914,554)	$ 95,104

Securities Lending

The Company has entered into securities lending agreements with an agent bank whereby blocks of securities are loaned to third parties, primarily major brokerage firms. As of December 31, 2004 and 2003, the estimated fair value of loaned securities was $839.4 million and $903.8 million, respectively. The agreements require a minimum of 102 percent of the fair value of the loaned securities to be held as collateral, calculated on a daily basis. To further minimize the credit risks related to this program, the financial condition of counterparties is monitored on a regular basis. Cash collateral received, in the amount of $856.2 million and $921.8 million at December 31, 2004 and 2003, respectively, was invested by the agent bank and included in short-term investments of the Company. A securities lending payable is included in liabilities for cash collateral received.

6 | Investment Income, Risk Management Activity and Realized Gains and Losses

The sources of net investment income by major category are as follows (in thousands):

Years ended December 31,	2004	2003	2002
Fixed maturities	$ 2,270,233	$ 2,325,763	$ 2,335,329
Other investment income	492,210	370,604	281,976
Total investment income	2,762,443	2,696,367	2,617,305
Less investment expenses	(72,498)	(72,852)	(63,252)
Net investment income	$ 2,689,945	$ 2,623,515	$ 2,554,053

Risk management activity, including gains, losses and change in fair value of derivative instruments and embedded derivatives, is as follows (in thousands):

Years ended December 31,	2004	2003	2002
Interest rate swaps	$ 16,618	$ (47,088)	$ (445,785)
Interest rate spreadlocks	4,024	-	-
Put-swaptions	8,390	3,511	(26,474)
Futures	708	4,185	6,354
Equity index call options	18,846	(66,119)	9,826
Total return swaps	21,701	3,554	(20,454)
Variable annuity embedded derivatives	20,527	(25,992)	-
Risk management activity	$ 90,814	$ (127,949)	$ (476,533)

Net realized gains (losses) on investments are as follows (in thousands):

Years ended December 31,	2004	2003	2002
Sales of fixed maturities			
Gross gains	$ 263,685	$ 261,481	$ 262,038
Gross losses	(67,352)	(139,108)	(214,104)
Sales of equities			
Gross gains	33,037	19,767	11,238
Gross losses	(685)	(1,018)	(8,664)
Transfers to trading securities	(9,300)	-	-
Impairment losses	(80,729)	(202,088)	(529,145)
Total	$ 138,656	$ (60,966)	$ (478,637)

Net realized gains (losses) on investments, net of amounts allocated to minority interest, totaled $92.8 million, $(74.9) million and $(457.7) million in 2004, 2003 and 2002, respectively.

The Company periodically reviews its fixed maturities and equities on a case-by-case basis to determine if any decline in fair value below the carrying value is other than temporary. If it is determined that a decline in value of an investment is temporary, the decline is recorded as an unrealized loss in accumulated other comprehensive income in stockholder's equity. If the decline is considered to be other than temporary, a realized loss is recorded in the consolidated income statement.

Generally, securities with fair values that are less than 80% of cost and other securities the Company determines are underperforming or potential problem securities are subject to regular review. To facilitate the review, securities with significant declines in value, or where other objective criteria evidencing credit deterioration have been met, are included on a watch list. Among the criteria for securities to be included on a watch list are: credit deterioration that has led to a significant decline in value of the security; a significant covenant related to the security has been breached; or an issuer has filed or indicated a possibility of filing for bankruptcy, has missed or announced it intends to miss a scheduled interest or principal payment, or has experienced a specific material adverse change that may impair its creditworthiness.

In performing these reviews, the Company considers the relevant facts and circumstances relating to each investment and must exercise considerable judgment in determining whether a security is other than temporarily impaired. Among the factors considered is whether the decline in fair value results from a change in the credit quality of the security itself, or from a downward movement in the market as a whole, and the likelihood of recovering the carrying value based on the near term prospects of the issuer. Unrealized losses that are considered to be primarily the result of market conditions, such as minor increases in interest rates, unusual market volatility or industry-related events, and where the Company also believes there exists a reasonable expectation for recovery in the near term and, furthermore, has the intent and ability to hold the investment until maturity or the market recovery, are usually determined to be temporary.

To the extent factors contributing to the impairment losses recognized in 2004, 2003 and 2002 affected other investments, such investments were reviewed for other than temporary impairment and losses were recorded if appropriate.

The Company applies the provisions of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" ("EITF 99-20") when evaluating whether impairments on its structured securities, including asset-backed securities and collateralized debt obligations, are other than temporary. The Company regularly reviews future cash flow assumptions and, in accordance with EITF 99-20, if there has been an adverse change in estimated cash flows to be received from a security, an impairment is recognized in net income. For privately placed structured securities, impairment amounts are based on discounted cash flows.

There are inherent uncertainties in assessing the fair values assigned to the Company's investments and in determining whether a decline in market value is other than temporary. The Company's review of fair value involves several criteria including economic conditions, credit loss experience, other issuer-specific developments and future cash flows. These assessments are based on the best available information at the time. Factors such as market liquidity, the widening of bid/ask spreads and a change in the cash flow assumptions can contribute to future price volatility. If actual experience differs negatively from the assumptions and other considerations used in the consolidated financial statements, unrealized losses currently in accumulated other comprehensive income may be recognized in the consolidated income statement in future periods.

The Company currently intends to hold available for sale securities with unrealized losses not considered other than temporary until they mature or recover in value. However, if the specific facts and circumstances surrounding a security, or the outlook for its industry sector change, the Company may sell the security and realize a loss.

7 | Value of Acquired Insurance

The value of acquired insurance in-force at acquisition date represents the present value of anticipated profits of the business in-force on November 25, 1986 (the date the Company was acquired by Prudential). The value of acquired insurance in-force was determined by using assumptions as to interest, persistency and mortality. Profits were then discounted to arrive at the value of the insurance in-force.

The amortization of acquired insurance was as follows (in thousands):

Years ended December 31,	2004	2003	2002
Value of acquired insurance:			
Balance, beginning of year	$ 66,650	$ 86,297	$ 104,776
Interest, at rates varying from 6.5% to 9.5%	5,277	7,174	8,953
Amortization	(26,159)	(26,821)	(27,432)
Balance, end of year	$ 45,768	$ 66,650	$ 86,297

The estimated future amortization expense of acquired insurance in force, net of interest, is as follows (in thousands):

2005	$ 22,190
2006	23,578
Total	$ 45,768

8 | Adoption of SOP 03-1

Effective January 1, 2004, JNL adopted the Accounting Standards Executive Committee of the American Institute of Certified Public Accountant's Statement of Position 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts" ("SOP 03-1"). SOP 03-1 addresses separate account presentation, transfers of assets from the general account to the separate account, valuation of certain insurance liabilities and policy features such as guaranteed minimum death benefits and annuitization benefits and accounting for sales inducements. At January 1, 2004, the Company recorded an $8.9 million gain, net of increased deferred acquisition cost amortization of $16.2 million and federal income tax expense of $4.8 million, as a cumulative effect of change in accounting principle. The gain resulted from reduced reserving requirements for annuitization benefits on two-tiered annuities offset by additional reserves for certain life products with secondary guarantees.

The Company issues variable contracts through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder (traditional variable annuities). The Company also issues variable annuity and life contracts through separate accounts where the Company contractually guarantees to the contract holder (variable contracts with guarantees) either a) return of no less than total deposits made to the contract adjusted for any partial withdrawals, b) total deposits made to the contract adjusted for any partial withdrawals plus a minimum return, or c) the highest contract value on a specified anniversary date adjusted for any withdrawals following the contract anniversary. These guarantees include benefits that are payable in the event of death (guaranteed minimum death benefit ("GMDB")), annuitization (guaranteed minimum income benefit ("GMIB")), or at specified dates during the accumulation period (guaranteed minimum withdrawal benefit ("GMWB")).

The assets supporting the variable portion of both traditional variable annuities and variable contracts with guarantees are carried at fair value and reported as summary total separate account assets with an equivalent summary total reported for liabilities. Amounts assessed against the contract holders for mortality, administrative, and other services are included in revenue and changes in liabilities for minimum guarantees are included in death and other policy benefits in the consolidated income statement. Separate account net investment income, net investment gains and losses, and the related liability changes are offset within the same line item in the consolidated income statement.

At December 31, 2004, the company had variable contracts with guarantees, where net amount at risk is the amount of guaranteed benefit in excess of current account value, as follows:

(dollars in millions)	Minimum Return	Account Value	Net Amount at Risk	Weighted Average Attained Age	Average Period until Expected Annuitization
Return of net deposits plus a minimum return					
GMDB	0% - 5%	$ 8,304	$ 1,457	63.4 years	
GMIB	0% - 6%	$ 1,443	$ 10		8.5 years
GMWB		$ 1,914	$ < 1		
Highest specified anniversary account value minus withdrawals post-anniversary - GMDB		$ 869	$ 3	63.5 years	
Combination net deposits plus minimum return, highest specified anniversary account value minus withdrawals post-anniversary - GMDB	0% - 5%	$ 1,088	$ 46	60.3 years	

Account balances of contracts with guarantees were invested in variable separate accounts as follows (in millions):

Fund type:	
Equity	$ 8,659
Bond	892
Balanced	615
Money market	100
Total	$ 10,266

GMDB liabilities, before reinsurance, reflected in the general account are as follows (in millions):

Balance at January 1, 2004	$ 50.1
Incurred guarantee benefits	19.1
Paid guarantee benefits	(27.2)
Balance at December 31, 2004	$ 42.0
Balance at December 31, 2004, net of reinsurance	$ 0.9

The GMDB liability is determined each period end by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratability over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised.

The following assumptions and methodology were used to determine the GMDB liability at December 31, 2004:

1 l Use of a series of deterministic investment performance scenarios.

2 l Mean investment performance assumption of 8.4% after investment management fees, but before investment advisery fees and mortality and expense charges.

3 l Mortality equal to 90 percent of the Annuity 2000 table.

4 l Lapse rates varying by contract type and duration and ranging from 2 percent to 20 percent, with an average of 5 percent.

5 l Discount rate of 8.4%.

Guaranteed minimum withdrawal benefits are considered to be derivatives under FAS 133 and are recognized at fair value, with the change in fair value included in risk management activity.

The GMIB liability is determined each period end by estimating the expected value of the annuitization benefits in excess of the projected account balance at the date of annuitization and recognizing the excess ratability over the accumulation period based on total expected assessments. The Company regularly evaluates estimates used and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. The assumptions used for calculating the GMIB liability at December 31, 2004, are consistent with those used for calculating the GMDB liability. JNL's GMIB benefit has been issued only since 2002, and projected excess benefits are minimal at December 31, 2004.

Other Liabilities – Insurance and Annuitization Benefits

The Company has established additional reserves for life insurance business due to: universal life ("UL") plans with secondary guarantees, interest-sensitive life plans that exhibit "profits followed by loss" patterns and account balance adjustments to tabular guaranteed cash values on one interest sensitive life plan. The Company also has a small closed block of two-tier annuities, where different crediting rates are used for annuitization and surrender benefit calculations, for which a liability was established to cover future annuitization benefits in excess of surrender values. Prior to adoption of SOP 03-1, this liability was the high-tier fund which used the higher crediting rate associated with annuitization. At the implementation of SOP 03-1, the total liability for this block was revised to the low-tier fund using the lower crediting rate associated with surrenders plus the SOP 03-1 annuitization reserve, for a net decrease of $36 million.

Liabilities for these benefits have been established according to the methodology prescribed in SOP 03-1, as follows:

Benefit Type	December 31, 2004 Liability (in millions)	Net Amount at Risk (in millions)*	Weighted Average Attained Age
UL insurance benefit	$ 29	$ 4,393	54.2 years
Two-tier annuitization	$ 8	$ 40	59.4 years
ISWL account balance adjustment	$ 28	n/a	n/a

* Net amount at risk ("NAR") for the UL benefits is for the total of the plans containing any policies having projected non-zero excess benefits, and thus may include NAR for some policies with zero excess benefits.

The following assumptions and methodology were used to determine the UL insurance benefit liability at December 31, 2004:

1 | Use of a series of deterministic premium persistency scenarios.

2 | Other experience assumptions similar to those used in amortization of deferred acquisition costs.

3 | Discount rates equal to the credited interest rates, approximately 4%-5% projected.

The following assumptions and methodology were used to determine the two-tier annuitization benefit liability at December 31, 2004:

1 | Use of a series of deterministic scenarios, varying by surrender rate and annuitization rate.

2 | Other experience assumptions similar to those used in amortization of deferred acquisition costs.

3 | Discount rates are equal to credited interest rates, approximately, 3%-5% projected.

9 | Notes Payable

The aggregate carrying values and fair values of notes payable at December 31, 2004 and 2003 are as follows (in thousands):

	2004		2003	
December 31,	Carrying Value	Fair Value	Carrying Value	Fair Value
Surplus notes	$ 249,237	$ 310,790	$ 249,223	$ 296,470
PPMA Funds	-	-	43,254	38,929
Tuscany notes	228,389	228,389	229,919	229,919
Mortgage loans	17,765	17,765	-	-
VIE equity classes	8,500	8,500	-	-
Total	$ 503,891	$ 565,444	$ 522,396	$ 565,318

Surplus notes

On March 15, 1997, the Company issued 8.15% Surplus Notes (the "Notes") in the principal amount of $250 million due March 15, 2027. The Notes were issued pursuant to Rule 144A under the Securities Act of 1933, and are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims.

Under Michigan Insurance law, the Notes are not part of the legal liabilities of the Company and are considered capital and surplus for statutory reporting purposes. Payments of interest or principal may only be made with the prior approval of the Commissioner of Insurance of the State of Michigan and only out of surplus earnings which the Commissioner determines to be available for such payments under Michigan Insurance law. The Notes may not be redeemed at the option of the Company or any holder prior to maturity.

Interest is payable semi-annually on March 15 and September 15 of each year. Interest paid on the Notes was $20.4 million in 2004, 2003 and 2002.

PPMA Funds

Consolidation of the PPMA Funds results in the debt obligations of the funds being reflected in the Company's consolidated financial statements.

SIF I issued $70.0 million of 8.36% Subordinated Secured Notes ("SIF I Notes") due December 15, 2005. Interest was due semi-annually. The SIF I Notes were collateralized and secured pursuant to an indenture between the issuer and Chase Bank of Texas, N.A., as trustee. During 2004, the notes were redeemed at a $0.3 million premium to their carrying value.

SIF I also entered into a Senior Secured Credit Facility ("SIF I Facility") under which it could borrow up to $200.0 million. The SIF I Facility was a revolving extendable credit facility which matured on June 15, 2004. Borrowings under the SIF I Facility bore interest at a variable rate. SIF I chose rates based on the Eurodollar loan rate plus 1.75% per annum, or the higher of the Prime lending rate of Bankers Trust Company and the Fed Funds effective rate plus .50% per annum.

CBO II issued $71.0 million of 7.8% Subordinated Secured Notes ("CBO II Notes") due December 15, 2004. Interest was due semi-annually. The CBO II Notes were secured pursuant to an indenture between the issuer and Texas Commerce Bank, N.A., as trustee. During 2004, the notes were redeemed at their carrying value.

CBO II also entered into a Senior Secured Credit Facility ("CBO II Facility") under which it could borrow up to $236.5 million. The CBO II Facility was a revolving extendable credit facility which matured on June 15, 2003. Borrowings under the CBO II Facility bore interest at a variable rate. CBO II chose rates based on the Eurodollar loan rate plus 1.00% per annum, or the higher of the Prime lending rate of Bankers Trust Company and the Fed Funds effective rate plus .50% per annum.

There were no outstanding debt balances on the PPMA Funds at December 31, 2004. Outstanding debt balances at December 31, 2003 were $30.3 million in SIF I and $13.0 million in CBO II.

Interest paid on the debt totaled $4.7 million, $11.5 million and $11.8 million in 2004, 2003 and 2002, respectively.

Tuscany notes

On December 19, 2001, Tuscany CDO, Limited, a VIE in which JNL is the primary beneficiary, issued $900.0 million of senior and subordinated notes. At issuance, the most senior notes, initially totaling $450.0 million, due February 25, 2010 were sold to unrelated parties with the remaining senior and subordinated notes retained by the Company. In 2003, the second most senior notes, initially totaling $129.0 million, due February 25, 2015 were sold to unrelated parties. The most senior notes bear interest at Libor plus .38% and the second most senior notes bear interest at Libor plus .47% (collectively, "Tuscany Notes"). At December 31, 2004 and 2003, the weighted average rate on the Tuscany Notes was 2.38% and 1.57%, respectively. Interest paid totaled $3.7 million, $3.5 million and $7.9 million in 2004, 2003 and 2002, respectively.

Mortgage loans

Certain real estate VIEs have outstanding mortgage loans at a weighted average interest rate of 7.57% at December 31, 2004, with maturities through June 2006. Interest paid totaled $160 thousand in 2004.

VIE equity classes

Certain of the VIEs have "equity" classes issued in the form of non-investment grade debt with maturities through November 2013. Accordingly, these equity classes are classified as notes payable rather than minority interest in the consolidated balance sheets. These notes accrue contingent interest in addition to the stated coupon. The outstanding principal amounts accrue interest at a weighted average interest rate of 6.54% at December 31, 2004. Interest paid on the notes in 2004 totaled $456 thousand.

10 | Reverse Repurchase Agreements

During 2004 and 2003, the Company entered into reverse repurchase and dollar roll repurchase agreements whereby the Company agreed to sell and repurchase securities. These activities have been accounted for as financing transactions, with the assets and associated liabilities included in the consolidated balance sheets. Short-term borrowings under such agreements averaged $10.5 million and $1,493.1 million during 2004 and 2003, respectively, at weighted average interest rates of 1.80% and 0.67%, respectively. There was no outstanding balance under such borrowings at December 31, 2004 or 2003. Interest paid totaled $0.2 million, $10.1 million and $5.2 million in 2004, 2003 and 2002, respectively. The highest level of short-term borrowings at any month end was $460.0 million in 2004, and $2,481.1 million in 2003.

11 | Reinsurance

The Company assumes and cedes reinsurance from and to other insurance companies in order to limit losses from large exposures; however, if the reinsurer is unable to meet its obligations, the originating issuer of the coverage retains the liability. The maximum amount of life insurance risk retained by the Company on any one life is generally $1.5 million. Amounts not retained are ceded to other companies on a yearly renewable-term or a coinsurance basis.

Effective December 31, 2002, upon approval of the Michigan Commissioner of Insurance, JNL ceded the guaranteed minimum death benefit coverage associated with variable annuities to an affiliate, Prudential Atlantic Reinsurance Company, Dublin, Ireland ("PARC"). PARC is a wholly owned subsidiary of Prudential. The income statement impact of the treaty is immaterial, as the reinsurance premium and claims approximate the change in the GMDB reserve.

The effect of reinsurance on premiums is as follows (in thousands):

Years ended December 31,	2004	2003	2002
Direct life premiums	$ 314,168	$ 327,425	$ 338,093
Assumed life premiums	6	7	(277)
Less reinsurance ceded:			
Life	(126,778)	(126,829)	(126,122)
Annuity	(25,054)	(27,192)	(59,000)
Total net premiums	$ 162,342	$ 173,411	$ 152,694

Premiums ceded to PARC totaled $20.2 million, $25.0 million and $59.0 million during 2004, 2003 and 2002, respectively.

Components of the reinsurance recoverable asset are as follows (in thousands):

December 31,	2004	2003
Ceded reserves:		
Life	$ 566,007	$ 504,537
Annuity	41,113	46,313
Ceded claims liability	22,728	18,965
Ceded-other	10,909	8,609
Total	$ 640,757	$ 578,424

Reserves reinsured through Brooke Life were $61.2 million and $63.7 million at December 31, 2004 and 2003, respectively. Reserves reinsured through PARC were $41.1 million and $43.9 million at December 31, 2004 and 2003, respectively.

12 | Federal Income Taxes

The components of the provision for federal income taxes are as follows (in thousands):

Years ended December 31,	2004	2003	2002
Current tax expense	$ 87,196	$ 107,313	$ 125,202
Deferred tax expense (benefit)	216,880	57,681	(284,448)
Federal income tax expense (benefit)	$ 304,076	$ 164,994	$ (159,246)

Federal income tax expense reported for discontinued operations totaled $40.6 million, $9.2 million and $10.8 million in 2004, 2003, and 2002, respectively.

The federal income tax provisions differ from the amounts determined by multiplying pretax income by the statutory federal income tax rate of 35% for 2004, 2003 and 2002 as follows (in thousands):

Years ended December 31,	2004	2003	2002
Income taxes at statutory rate	$ 304,123	$ 164,970	$ (159,830)
Other	(47)	24	584
Provision for federal income taxes	$ 304,076	$ 164,994	$ (159,246)
Effective tax rate	35.0%	35.0%	34.9%

Federal income taxes paid (received) were $105.5 million, $171.1 million and $(54.1) million in 2004, 2003 and 2002, respectively.

The tax effects of significant temporary differences that give rise to deferred tax assets and liabilities are as follows (in thousands):

December 31,	2004	2003
Gross deferred tax asset		
Policy reserves and other insurance items	$ 686,029	$ 640,042
Difference between financial reporting and the tax basis of:		
Investments	314,679	608,768
Deferred compensation	46,016	37,279
Other, net	54,601	13,025
Total gross deferred tax asset	1,101,325	1,299,114
Gross deferred tax liability		
Deferred acquisition costs and sales inducements	(568,631)	(483,990)
Difference between financial reporting and the tax basis of:		
Value of the insurance in-force	(16,019)	(23,328)
Other assets	(11,323)	(9,046)
Net unrealized gains on available for sale securities	(670,846)	(754,697)
Other, net	(1,444)	(9,367)
Total gross deferred tax liability	(1,268,263)	(1,280,428)
Net deferred tax asset (liability)	$ (166,938)	$ 18,686

Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax asset.

At December 31, 2004, the Company had a federal tax capital loss carryforward of approximately $91.7 million, which will expire in the year 2008.

13 | Commitments and Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of such litigation will not have a material adverse affect on the Company's financial condition or results of operations. JNL has been named in civil litigation proceedings which appear to be substantially similar to other class action litigation brought against many life insurers alleging misconduct in the sale of insurance products. The Company generally accrues for legal contingencies once the contingency is deemed to be probable and estimable. Accordingly, at December 31, 2004 and 2003, JNL had recorded accruals totaling $20.8 million and $13.5 million, respectively.

State guaranty funds provide payments for policyholders of insolvent life insurance companies. These guaranty funds are financed by assessments to solvent insurance companies based on location, volume and types of business. The Company estimated its reserve for future state guaranty fund assessments based on data received from the National Organization of Life and Health Insurance Guaranty Associations. Based on data received at the end of 2004 and 2003, the Company's reserve for future state guaranty fund assessments was $18.9 million and $45.7 million, respectively. The Company believes the reserve is adequate for all anticipated payments for known insolvencies.

The Company has unfunded commitments related to its investments in limited partnerships totaling $300.8 million and $386.3 million at December 31, 2004 and 2003, respectively.

The Company leases office space, land and equipment under several operating leases that expire at various dates through 2051. Certain leases include escalating lease rates and, as a result, at December 31 2004, JNL recorded a liability of $2.5 million for future lease payments. In 2002, JNL sold and leased back certain aircraft and computer software valued at $39.9 million. There was no gain or loss on the sale-leaseback transactions. Lease expense was $25.6 million, $30.1 million and $13.7 million in 2004, 2003 and 2002, respectively. Future minimum payments under these noncancelable operating leases are as follows (in thousands):

2005	$ 5,513
2006	5,565
2007	5,515
2008	5,731
2009	3,975
Thereafter	1,747
Total	$ 28,046

JNL subleased office space under several operating leases that expire at various dates through 2008. Total future lease income to be received on the subleased property is $2.8 million. Lease income for the subleased property totaled $0.7 million and $0.2 million in 2004 and 2003, respectively.

14 | Stockholder's Equity

Under Michigan Insurance Law, dividends on capital stock can only be distributed out of earned surplus, unless the Commissioner approves the dividend prior to payment. Furthermore, without the prior approval of the Commissioner, dividends cannot be distributed if all dividends made within the preceding 12 months exceed the greater of statutory net gain from operations or 10% of the Company's statutory surplus for the prior year. In 2005, the maximum amount of dividends that can be paid by the Company without prior approval of the Commissioner under this limitation approximates $414 million.

The Company received capital contributions from its parent of $28.7 million in 2004 and $49.3 million in 2003. The capital contributions included $28.7 million and $29.3 million in 2004 and 2003, respectively, from Brooke Life forgiving an intercompany tax liability. Dividend payments were $120.0 million, $85.2 million and $142.0 million in 2004, 2003 and 2002, respectively.

Statutory capital and surplus of the Company was $3.1 billion and $3.0 billion at December 31, 2004 and 2003, respectively. Statutory net income (loss) of the Company was $616.3 million, $148.3 million and $(258.4) million in 2004, 2003 and 2002, respectively.

The Office of Financial and Insurance Services granted a permitted practice effective January 1, 2003 with respect to accounting for derivatives. This permitted practice resulted in a decrease to statutory surplus of approximately $66.3 million and $39.1 million at December 31, 2004 and 2003, respectively.

15 | Other Related Party Transactions

The Company's investment portfolio is managed by PPM America, Inc. ("PPMA"), a registered investment adviser, and PPM Finance, Inc. (collectively, "PPM"). PPM is ultimately a wholly owned subsidiary of Prudential. The Company paid $33.2 million, $32.7 million and $32.9 million to PPM for investment advisery services during 2004, 2003 and 2002, respectively.

In 2004, JNL issued $13 million in loans to Brooke Holdings, Inc. The loans are unsecured and mature on December 31, 2005 with an interest rate of 1.75% per annum. Interest on these loans totaled $223.6 thousand during 2004.

Included in notes payable is debt in the amount of $3.5 million payable to affiliates PPM Holdings, Inc. ("PPMH") and PPMA at December 31, 2004. Interest accrued on this debt, including contingent interest, of $8.2 million is included in other liabilities at December 31, 2004. Outstanding principal amounts accrue interest at a weighted average interest rate of 6.54% at December 31, 2004. Interest paid to PPMH and PPMA totaled $182 thousand in 2004.

In 2003, JNL entered into shared services administrative agreements with affiliates PPMA and National Planning Holding Company, Inc. ("NPH"). Under the shared services administrative agreements, JNL allocated $6.3 million and $7.1 million of certain management and corporate services expenses to affiliates in 2004 and 2003, respectively.

In 2003, JNL provided a $40.0 million revolving credit facility to PPMA. The loan is unsecured, matures on September 9, 2008, accrues interest at LIBOR plus 2% per annum, and has a commitment fee of 0.25% per annum. There was no balance outstanding at December 31, 2004 or 2003. The highest outstanding loan balance during 2004 and 2003 was $15.0 million and $20.0 million, respectively. Interest and commitment fees totaled $124 thousand and $100 thousand during 2004 and 2003, respectively.

In 2003, JNL provided a $20.0 million revolving credit facility to Investment Centers of America, Inc., a wholly owned subsidiary of NPH. The loan is unsecured, matures on November 14, 2008, accrues interest at LIBOR plus 2% per annum, and has a commitment fee of 0.10% per annum. There was no balance outstanding at December 31, 2004 or 2003. The highest outstanding loan balance during 2004 and 2003 was $12.0 million and $6.5 million, respectively. Interest and commitment fees totaled $24 thousand and $6 thousand in 2004 and 2003, respectively.

16 | Benefit Plans

The Company has a defined contribution retirement plan covering substantially all employees. To be eligible, an employee must have attained the age of 21 and completed at least 1,000 hours of service in a 12-month period. The Company's annual contributions, as declared by the board of directors, are based on a percentage of eligible compensation paid to participating employees during the year. The Company's expense related to this plan was $7.8 million, $7.4 million and $6.4 million in 2004, 2003 and 2002, respectively.

The Company maintains non-qualified voluntary deferred compensation plans for certain agents and employees. At December 31, 2004 and 2003, the liability for such plans totaled $132.8 million and $113.2 million, respectively. JNL invests general account assets in selected mutual funds in amounts similar to participant elections as a hedge against significant movement in the payout liability. The Company's expense related to these plans was $20.7 million, $1.5 million and $2.4 million in 2004, 2003 and 2002, respectively.

17 | Acquisition of Life Insurance Company of Georgia

On November 18, 2004, the Company announced that it had entered into a definitive agreement to acquire the operations of Life Insurance Company of Georgia, a wholly owned life insurance subsidiary of ING Group, N.V. based in Atlanta, Georgia. The transaction will be accounted for as a purchase and is expected to close during the second quarter of 2005 (pending regulatory approvals) at an expected purchase price of approximately $254.0 million.

Glossary of Terms

Agent – An individual who is licensed to sell a life insurance or fixed annuity policy to a client. (Also see Broker.)

Annuity, UK – The provision of a guaranteed income for life in return for a lump-sum payment. Often bought with a pension fund upon retirement.

Annuity, USA – A contract between an individual and an insurance company used for accumulating assets for retirement, or as a method for providing an income stream at a later date. In a deferred annuity, the payment period is preceded by an accumulation period, when all capital and investment proceeds that remain inside the annuity can accumulate tax-deferred. An immediate annuity has no accumulation period and begins periodic payments immediately in return for a lump-sum premium.

Broker, UK – An agent who brings two parties together to do business, and is remunerated by a fee or commission, the latter calculated as a percentage of the contract sum.

Broker, USA – An intermediary between a buyer and seller of financial products. In insurance, a broker is an insurance agent, appointed with a number of companies, who selects and sells the product that best fits the needs of the client. A securities broker, i.e., one who sells variable annuities, stocks, bonds, commodities, or options, is responsible for selling a product suitable for the client's financial goals and must be registered with the exchange where the securities are traded; hence, the term Registered Representative.

Broker-Dealer, USA – A brokerage firm operating both as broker and as principal. A dealer is an individual or firm acting as a principal in a securities transaction. Principals trade for their own account and risk. When buying from a broker acting as a dealer, the customer receives securities from the firm's inventory.

Capital Ratio – Total statutory capital, surplus and asset valuation reserve, divided by general account reserve liabilities.

Dealer, UK – One who transacts in stocks, shares, unit trusts, commodities and other financial instruments.

Financial Institution – An institution, typically a bank, that collects deposits and then reinvests them, usually in loans. Many financial institutions diversify their product offerings with annuities and insurance.

Financial Planner – A qualified professional who analyzes an individual's personal financial circumstances in order to meet specific needs and objectives. A financial planner's area of expertise should include taxes, insurance, retirement planning and estate planning.

Fixed Annuity, USA – An annuity that offers tax-deferred accumulation at fixed rates of interest with a minimum guarantee, followed by periodic fixed-dollar payments to the owner for a selected period of time and/or until the owner/annuitant's death.

Fixed Index Annuity (FIA), USA – A fixed annuity offering guaranteed minimum interest rates, with potentially increased returns measured by the performance of an equity index, such as the S&P 500, over a selected period of time.

Funding Agreement (FA) – An investment contract between an insurance company and an institutional investor that provides a stated rate of return on deposits over a specified period of time.

GAAP, USA – Generally Accepted Accounting Principles. A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board.

Guaranteed Investment Contract (GIC) – An investment contract between an insurance company and an institutional investor that provides a stated rate of return on deposits over a specified period of time. GICs are used primarily by retirement savings and 401(k) plans of large corporations. They typically provide for partial or total withdrawals at book value, if needed for certain liquidity needs of the plan (e.g., to pay benefits to terminating 401(k) participants).

Individual Annuity, USA – An annuity sold to an individual contract holder, as opposed to one issued to fund a group retirement plan. Retail annuity products must be specifically designed for either individual or group issue.

Managed Account – A customized investment approach designed to reach specific financial objectives. Managed accounts allow the investor to make specific portfolio requests relating to such issues as avoidance of specific stocks, tax-related trading, etc.

Medium Term Note (MTN) – A general obligation of a company, sold through investment banks, with maturities generally in the three- to ten-year range, with principal and interest payable in U.S. dollars or other currencies.

NASDAQ Index – The NASDAQ Composite Stock Price Index is one of the broadest measures of stock trading. It includes all common stocks listed on the electronic NASDAQ Stock Market. NASDAQ, or the National Association of Securities Dealers Automated Quotations, is the primary exchange system for over-the-counter stocks, but may also quote stocks that are listed on the New York Stock Exchange.

Pension Fund, UK – General term describing an investment fund built up during working life and used at retirement to purchase an annuity to provide continuing income.

Pension Fund, USA – A fund set up and invested by an employer or a labor union to provide retirement income for workers. The funds accumulate income and capital gains tax-free, which are used to pay benefits post-retirement.

Pension Plan, USA – A qualified retirement plan set up by a corporation, labor union, government, or other organization for its employees. Examples include profit-sharing plans, stock bonus and Employee Stock Ownership Plans, thrift plans, target benefit plans, money purchase plans, and defined benefit plans.

Registered Investment Adviser (RIA) – An investment adviser who is specifically registered with the SEC (Securities and Exchange Commission). An RIA will pick SEC-registered investments for a client and usually operates on a fee basis.

Return on Capital (ROC) – Net income divided by average invested capital (debt plus total stockholders' equity). Also known as "return on investment," this ratio can by used as a measure of how effectively management is using the capital at its disposal.

Return on Equity (ROE) – The percentage amount a company earns on its total stockholders' equity.

S&P 500 Index – A broad measurement of price changes in the stock market, based on the average performance of 500 publicly traded common stocks of U.S.-based companies. This Index tracks stocks from a number of sectors, including the industrial, transportation, financial, and utility sectors. Composition of the 500 stocks is flexible, and the number of issues in each sector varies over time.

Securities and Exchange Commission (SEC), USA – The federal regulatory agency whose primary mission is to protect investors and maintain the integrity of securities markets by enforcing U.S. securities law. The SEC has jurisdiction over securities exchanges, broker-dealers, investment advisers, mutual funds, self-regulatory organizations, public utility holding companies and virtually all other individuals and firms operating in the investment field.

Variable Annuity, USA – An annuity whose value is determined by the performance of underlying investment options that frequently include securities. A variable annuity's value is not guaranteed and will fluctuate, depending on the value of its underlying investments. The holder of a variable annuity assumes the investment risk. Variable annuities can only be sold by prospectus.

Important Disclosures

This publication is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subjects. Accordingly, the information in this publication is not intended to constitute legal, accounting, investment, consulting or other professional advice or services. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

"Standard & Poor's®" is a trademark of The McGraw-Hill Companies, Inc.

Fixed index annuities are issued by Jackson National Life Insurance Company (Home Office: Lansing, Michigan). May not be available in all states and state variations may apply. These fixed annuity contracts do not directly participate in any stock or equity investments and have limitations and restrictions. For costs and complete details, contact your representative or the Company.

The Perspective II Fixed and Variable Annuity (contract form number VA220) is issued by Jackson National Life Insurance Company (Home Office: Lansing, Michigan) and distributed by Jackson National Life Distributors, Inc. Member NASD. May not be available in all states and state variations may apply. For complete information, including risk factors, expenses, limitations and objectives, please contact your representative or the Company for a current prospectus. Please read the prospectus carefully before investing or sending money.

Jackson National Life and its affiliates do not provide legal, tax or estate-planning advice. If you have questions about a specific situation, please consult a qualified adviser.

JNL annuities and life insurance are issued by Jackson National Life Insurance Company (Home Office: Lansing, Michigan) and distributed by Jackson National Life Distributors, Inc. May not be available in all states and state variations may apply. These products have limitations and terms for continued coverage. Jackson National Life offers other variable annuity products with different product features, benefits and charges. Please contact your representative for more information. Annuity withdrawals may be subject to withdrawal charges. Earnings on annuities are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. For costs and complete details about any JNL product, contact your representative or the Company.

Before investing in variable products, investors should carefully consider the investment objectives, risks, charges and expenses of the variable product and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact your representative or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

Variable annuities involve investment risks and may lose value. The long-term advantage of the benefit options will vary with the performance of the variable investment options you select and the length of time you own your annuity. Under certain market conditions, the cost of the options may exceed the actual benefit. Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company and do not apply to the principal amount or investment performance of the separate account or underlying investments of variable products. The value of the variable annuity fluctuates with that of the underlying portfolios. Please remember that a JNL variable annuity is a long-term, tax-deferred investment vehicle designed for retirement.

The following cautionary statement is included to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. However, as with any projection or forecast, forward-looking statements are inherently susceptible to a number of risks and uncertainties and actual results and events could differ materially from those currently being anticipated as reflected in such forward-looking statements. There can be no assurance that management's expectations, beliefs or projections will result or be achieved or accomplished.

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