

STATE OF ILLINOIS



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

FORETHOUGHT LIFE INSURANCE COMPANY
FORETHOUGHT CENTER
BATESVILLE, INDIANA 47006

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Max Weaver, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of Forethought Life Insurance Company of Batesville, Indiana, and to make a full and true report to me of the examination made by them of Forethought Life Insurance Company with a full statement of the condition and operation of the business and affairs of Forethought Life Insurance Company with any other information as shall in my opinion be necessary to examine the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Forethought Life Insurance Company.

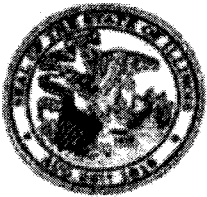
IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 24th day of March, 2011


Michael T. McRaith

Director





Illinois Department of Insurance

PAT QUINN
Governor

JACK MESSMORE
Acting Director

October 24, 2011

Eric David Todd, President
Forethought Life Insurance Company
NAIC # 91642
1 Forethought Center
Batesville, IN 47006

*sent via USPS certified mail
return receipt requested*

Dear Mr. Todd:

A Market Conduct Examination of your companies was conducted by authorized examiners designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The examination covered the period 1-1-10 through 12-31-10 except for Department of Insurance Complaints for which the period examined was 1-1-07 through 4-18-11 for.

As required by Illinois Insurance Code Section 132, please find attached a copy of the verified examination report. This Department is providing your company an opportunity to make a written submission or rebuttal with respect to any matters in the attached report. Please provide any such written submission or rebuttals to the undersigned by close of business, Wednesday, November 30, 2011.

Illinois Insurance Code Section 132 provides that the Director of Insurance must afford your company an opportunity to demand a hearing with reference to the facts and other evidence contained in this report. Section 132 further provides that your company may request a Hearing within ten (10) days after receipt of the above Report by giving the Director of Insurance written notice of such request together with a statement of your objections. The deadline to request a hearing is hereby extended until November 30, 2011.

Please contact me if you have any questions.

Yours Truly,

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington Street
Springfield IL 62767
312-833-5582 mobile
217-557-8463 fax
james.j.morris@illinois.gov

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/402 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/402 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

James J. Morris
Assistant Deputy Director
Market Conduct and Analysis Section

FORETHOUGHT LIFE INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 16, 2011 through July 8, 2011

EXAMINATION OF: Forethought Life Insurance Company
NAIC #91642

LOCATION OF EXAMINATION: One Forethought Center
Batesville, Indiana 47006

PERIOD COVERED BY EXAMINATION: January 1, 2010 through December 31, 2010
Department of Insurance Complaints
January 1, 2007 through April 18, 2011

EXAMINERS: Max R. Weaver
Examiner-In-Charge

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I. SUMMARY

1. The Company was criticized under 215 ILCS 5/500-80 for payment of commissions, on 11 applications, to an entity not duly licensed in Illinois.
2. The Company was criticized under 215 ILCS 5/234.1 for failure to advise policy-owners of all available non-forfeiture options prior to the enactment of a non-forfeiture option.

II. BACKGROUND

Forethought Life Insurance Company is a stock company that was organized under the laws of Indiana, incorporated February 14, 1980 and commenced business September 29, 1980. The Company was licensed to do business in Illinois on August 3, 1982.

The Company is licensed in all 50 States, the District of Columbia, Puerto Rico, Canada, Guam and the Virgin Islands.

In 2004 the Company was purchased by the Devlin Group and became an independent company.

The Company provides preneed life insurance and annuity products.

The Company's 2009 and 2010 Annual Statements (Schedule T) reflect the following Illinois premium volume:

Year	Life Insurance Premiums Direct	Annuity Considerations Direct	Other Considerations Direct
2009	6,553,578	13,068,658	0
2010	5,320,837	15,320,837	0

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's systems and procedures used in dealings with insureds and claimants. The Market Conduct Examination did not examine all systems and procedures used in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Non-Forfeiture Analysis
3. Claims Analysis
4. Policy Forms and Advertising Material Analysis
5. Replacements Analysis
6. Complaint Analysis

The review of these categories is accomplished through examination of producer files, cash surrendered policies, extended term and reduced paid-up insurance, policy forms, endorsements and riders, underwriting methods and advertising materials. Each of these categories is examined for compliance with selected Department of Insurance Rules and Regulations and applicable state law.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer but are not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claims surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure a methodical selection:

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

The Company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Non-forfeiture Analysis

Listings were requested of all policies cash surrendered, placed on extended term insurance status, or converted to reduced paid-up insurance during the survey period

covered by the examination. These listings were retrieved by a search of Illinois life policies which either lapsed for nonpayment of premium or were requested non-forfeiture option conversions made by the policyholders.

Claims Analysis

Claim surveys were selected using the following criteria:

1. Paid Claims – Payment for coverage made during the examination period.
2. Denied Claims – Denial of benefits for losses not covered by policy provisions.
3. Individual or Franchise Claims – Determine whether the contracts were issued on an individual or franchise basis.

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

Department of Insurance Complaints

The Company was requested to provide all files relating to complaints which had been received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response to the Department of Insurance.

The examination period for Department of Insurance complaints was January 1, 2007 through April 18, 2011.

SELECTION OF SAMPLE

SURVEY	POPULATION	# REVIEWED	% REVIEWED
Producer Production Analysis			
Producer Production	107/1428	107/1428	100
Terminated Producers	352	352	100
New Business	732	71	10
Non-forfeiture Analysis			
Life Cash Surrender	20	20	100
Reduced Paid Up	45	43	96
Annuity Cash Surrender	6	6	100
Claim Analysis			
Paid Individual Life	96	96	100
Paid Group Life	2083	132	6
Policy Forms and advertising	110	74	67
Policy Replacement Analysis			
Internal Replacements	2	2	100
External Replacements	47	47	100
Complaints Analysis			
Department Complaints	3	3	100

IV. FINDINGS

A. Producer Licensing and Production Analysis

1. Terminated Producer

A review of the producer termination files revealed that no producers were terminated for a cause.

2. Producer Production

A review of producer production produced one (1) criticism. A criticism was made under 215 ILCS 5/500-80 for the payment of commissions, totaling \$2,811.83, for 11 life applications to one (1) entity not duly licensed.

3. New Business

A review of new annuity business produced no criticisms.

B. Non-Forfeiture Analysis

1. Life Cash Surrender Analysis

A review of 20 life cash surrendered policy files produced no criticisms.

The median for surrender was three (3) days.

2. Reduced Paid-up Policy Analysis

A review of the 43 reduced paid-up policy files produced a general criticism. The criticism was made under 215 ILCS 5/234.1 for failing to advise policy-owners of all available non-forfeiture options prior to enactment of an option.

3. Cash Surrendered Annuity Analysis

A review of all six (6) of the cash surrendered files produced no criticisms.

The no median for surrender was 22 days.

C. Claims Analysis

1. Paid Life Analysis

A review of all 95 paid life claim files produced no criticisms.

The median for payment was two (2) days.

2. Paid Group Life Analysis

The review of 115 or 6% of the paid group life claim files resulted in no criticisms.

The median for payment was two (2) days.

D. Policy Forms and Advertising Analysis

The review of policy forms and advertising resulted in no criticisms.

E. Policy Replacement Analysis

1. Internal Replacements

A review of the two (2) internal policy replacement files produced no criticisms.

2. External Replacements

A review of 47 external replacement files produced no criticisms. All necessary and required forms had been completed.

F. Complaint Analysis

1. Department Complaints

A review of the three (3) department complaint files produced no criticisms.

The median for response was 16 days.

2. Consumer Complaints

A review of the three (3) consumer complaint files produced no criticisms.

The median for response was 10 days.

STATE OF ILLINOIS)
) ss
COUNTY OF MACON)

Max Weaver, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Forethought Life Insurance Company (the "Company") of Batesville, Indiana,

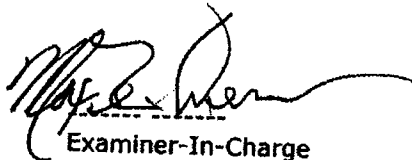
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;


That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.


Examiner-In-Charge

Subscribed and sworn to before me
This 21st day of May
A. D. 2012.


Notary Public





IN THE MATTER OF:

FORETHOUGHT LIFE INSURANCE COMPANY
3200 Southwest Freeway, Suite 1300
Houston, TX 72027

STIPULATION AND CONSENT ORDER

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

WHEREAS, FORETHOUGHT LIFE INSURANCE COMPANY (FORETHOUGHT) is authorized under the insurance laws of this State and by the Director as a foreign stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of Forethought was conducted by duly qualified examiners appointed by the Director pursuant to Sections 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the appointed examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited only two areas in which Forethought was criticized; and

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

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

WHEREAS, Forethought understands and agrees that by entering into this Order, it waives any and all rights to notice and hearing; and

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

NOW, THEREFORE, IT IS agreed by and between Forethought and the Director as follows:

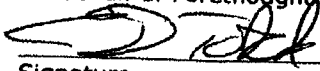
1. That the Market Conduct Examination indicated only two criticisms in which Forethought was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and Forethought consent to this order requiring Forethought to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

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

1. Only pay commissions to entities in accordance with 215 ILCS 5/500-80.
2. Advise policy-owners of all available non-forfeiture options prior to enactment of an option as required by 215 ILCS 5/234.1.
3. Submit to the Director of Insurance, proof of compliance with the above two (2) Orders within 30 days of the execution of these Orders.
4. Pay a civil forfeiture to the Director in an amount of Three Thousand Dollars (\$3,000.00) within 30 days of the date of this Order.

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

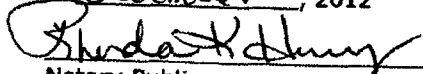
On behalf of Forethought Life Insurance Company


Signature


Eric P. Todd
Name

EVP, IO
Title

Subscribed and sworn to before me this 10th day of December, 2012


Notary Public

DEPARTMENT OF INSURANCE of the State of Illinois


Andrew Boron, Director



1-2-13
Date



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

March 6, 2013

Steve W. Kinion
Zach Stamp, Ltd.
Attorney at Law
601 W. Monroe Street
Springfield, IL 62704

Re: ***Forethought Life Insurance Company
Market Conduct Examination Report***

Dear Mr. Kinion,

This is in response to your January 31, 2013 letter on this subject.

Attached to your letter was a \$3,000 check in payment of the civil forfeiture set forth in Order # 4 of the Stipulation and Consent Order. Your letter included proof of compliance with Order # 1 and Order # 2 in the Stipulation and Consent Order. These proofs of compliance have been reviewed and are satisfactory.

Accordingly, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

A handwritten signature in black ink that reads "James C. Rundblom". The signature is fluid and cursive.

James C. Rundblom
Deputy General Counsel