



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

February 10, 2016

Mr. Michael Reardon
Forethought Life Insurance Company
300 North Meridian St., Suite 1800
Indianapolis, IN 46204

Re: Forethought Life Insurance Company, NAIC 91642
Market Conduct Examination Report Closing Letter

Dear Mr. Reardon:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, 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. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jack Engle".

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
E-mail: Jack.Engle@Illinois.gov

cc: Nigel Riggins

FORETHOUGHT LIFE INSURANCE COMPANY

EXAMINATION REPORT

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 2, 2014 through September 18, 2015

EXAMINATION OF: Forethought Life Insurance Company
NAIC Number: 91642

LOCATION: One Forethought Center
Batesville, Indiana 47006

PERIOD COVERED
BY EXAMINATION: January 1, 2013 through December 31, 2013
COMPLAINTS: April 19, 2011 through December 31, 2013

EXAMINERS: Tammy Gavin, ARe, MCM
Craig L. Leonard, CIE, CPCU, CCP, FLMI, ARC, AIAF
Victor Negron, CIE, MCM, FLMI, IR
Tim Nutt, CIE, AIRC, MCM
Michael Currier, MCM
Ann McClain, CIE, AMCM, CICSR, FLMI, FLHC, AIRC

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I. SUMMARY

A comprehensive market conduct examination of Forethought Life Insurance Company was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represent general findings, however, specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS							
FORETHOUGHT LIFE INSURANCE COMPANY							
Crit #	Statute / Rule	Description of violation	Population	Files Reviewed	Number of Violations	Findings Section	Error %
2	215 ILCS 5/368a(c)	Paid Individual Medicare Supplement – failed to pay claims within 30 days.	66,990	184	5	7a	3%
3	215 ILCS 5/368a(c)	Paid Individual Medicare Supplement – underpaid interest on delayed claims.	66,990	184	3	7a	2%
4	50 Ill. Adm. Code 919.50(a)(2)	Denied Medicare Supplement Claims – failed to offer payment within 30 days after affirmation of liability.	4,462	108	15	7d	14%
8	50 Ill. Adm. Code 917.60(b)(1)	Final Expense Life Replacements – failed to use the required replacement form as described.	3	3	3	6c	100%
9	50 Ill. Adm. Code 917.70(b)	Final Expense Life Replacements – failed to obtain a copy of the required Notice of Proposed Replacement Exhibit B signed by the producer.	3	3	3	6c	100%
9	50 Ill. Adm. Code 917.70(c)	Final Expense Life Replacements – failed to provide a notice to the existing insurer within three working days after receipt of the application.	3	3	3	6c	100%
10	50 Ill. Adm. Code 3120.50(f)(3)(B)	Annuity Replacements – failed to provide properly executed proof of compliance for annual broker-dealer suitability certifications.	197	41	23	6d	56%

TABLE OF TOTAL VIOLATIONS

FORETHOUGHT LIFE INSURANCE COMPANY

Crit #	Statute / Rule	Description of violation	Population	Files Reviewed	Number of Violations	Findings Section	Error %
10	50 Ill. Adm. Code 3120.50(f)(3)(B)	Annuity New Business – failed to provide properly executed proof of compliance for annual broker-dealer suitability certifications.	305	58	9	6a	16%
11	50 Ill. Adm. Code 919.50(a)(1)	Denied Life Pre-Need and Final Expense – failed to provide evidence they notified claimants of the availability of the Illinois Department of Insurance.	7	7	7	7e	100%
12	50 Ill. Adm. Code 917.60 (b)(1)	Annuity Replacements— Ingenium – failed to provide a copy of the required notice.	95	38	16	6d	42%
13	50 Ill. Adm. Code 917.60 (b)(1)	Annuity Replacements— Ingenium – failed to provide replacement forms signed by the producer as required.	95	38	14	6d	37%
14	50 Ill. Adm. Code 917.70(c)	Annuity Replacements— Ingenium – failed to provide notice to the existing insurer within three working days after the receipt of the application.	95	38	5	6d	13%
15	50 Ill. Adm. Code 917.70(d)	Annuity Replacements— Ingenium – failure to provide the required Exhibit A.	95	38	1	6d	3%
16	50 Ill. Adm. Code 917.70(c)	Pre-Need and Final Expense Life Replacements – failure to provide a Buyer’s Guide to the applicant within three working days after the receipt of the application.	5	5	5	6c	100%

II. BACKGROUND

Forethought Life Insurance Company:

Forethought Life Insurance Company (“Forethought” or “Company”) is domiciled in Indiana and was acquired by Forethought Financial Group, Inc. from Hillenbrand Industries in July 2004. Wellington Capital Management, LLC has been the principal stockholder since November 2009. The parent company, Forethought Financial Group, Inc. (FFG) was acquired by Global Atlantic Financial Company in January 2014 as a merger transaction.

Forethought is licensed in 49 states (excluding New York), Puerto Rico and the District of Columbia as a life and annuity insurer. Forethought began issuing life insurance in 1985, focusing initially on pre-need life insurance. Forethought’s pre-need life insurance business consists of small face whole life policies used primarily with funeral planning. Forethought’s Final Expense life insurance also consists of small face whole life insurance policies used in end of life planning and funding. The Company stopped selling Final Expense insurance in February 2014 and stopped selling Medicare Supplement insurance in December 2014.

In 2007, Forethought expanded its product lines to include fixed annuities and fixed indexed annuities sold through independent producers. In 2011, Forethought further expanded its annuity distribution by offering fixed annuities through banks and other financial institutions. On December 31, 2012, FFG, the parent of Forethought, completed its acquisition of the individual annuity new business capabilities and a broker-dealer from The Hartford.

Forethought's annuity business is divided into three distribution channels through which products are sold: banks, independent marketing organizations ("IMOs"), and Financial Industry Regulatory Authority (“FINRA”) registered broker-dealers. Forethought's annuities are offered through these distribution channels after Forethought enters into a selling agreement with the bank, IMO, or broker-dealer.

The bank and broker-dealer distribution channels sell Forethought fixed, fixed indexed and variable annuities offered through the bank or broker-dealer's affiliated insurance agency with agents that are licensed in Illinois and appointed with Forethought. The bank distribution channel does not sell fixed indexed annuities. Forethought entered the variable annuity marketplace and commenced offering annuity products through broker-dealers in March 2013.

The IMO distribution channel sells fixed and fixed indexed annuities. IMOs that sell Forethought products in Illinois are general agencies and independent individual producers that are licensed in Illinois and appointed with Forethought.

The Company utilizes two administration systems, Ingenium and Se2. Ingenium is a legacy administration system for life, fixed annuity and fixed indexed annuity product lines sold by IMOs. Se2 is the administration system for the variable annuity products sold by banks and broker/dealers.

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	Illinois Market Share
2013	\$62,155,878	0.16%

II. METHODOLOGY

The Market Conduct Examination covered the business for the period of January 1, 2013 through December 31, 2013 and complaints for the period April 19, 2011 through December 31, 2013. Specifically, the examination focused on a review of the following areas:

1. Operations/Management
2. Complaint Handling
3. Marketing and Sales
4. Producer Licensing
5. Policyholders Service
6. Underwriting and Rating
7. Claims

The review of the categories was accomplished through examination of internal audits, TPA contracts and agreements, complaint files, advertising materials, appointed and terminated producer files, new business application files, and claim files. Each of the categories was examined for compliance with Department regulations and applicable state laws.

The report concerns itself with improper practices performed by Forethought Life Insurance Company, which resulted in failure to comply with Illinois Statutes and Administrative Rules. Criticisms were prepared and communicated to Forethought addressing violations discovered in the review process. All violations were cited in the report.

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

Operations/Management

- 1a. Reviewed disclosure forms used during the examination period
- 1b. Reviewed internal audit reports
- 1c. Reviewed third-party administrator audit reports
- 1d. Reviewed computer information controls
- 1e. Reviewed disaster recovery plan
- 1f. Reviewed protection of nonpublic customer information
- 1g. Reviewed third-party administrator agreements
- 1h. Reviewed privacy forms and Company procedures
- 1i. Reviewed record retention procedures

Complaint Handling

- 2a. Sampled complaints received by the Illinois Department of Insurance
- 2b. Sampled complaints received by the Company

Marketing and Sales

- 3a. Sampled advertising materials used during the examination period
- 3b. Sampled producer training material utilized during the examination period

Producer Licensing

- 4a. Sampled active producers licensed during the examination period
- 4b. Reviewed producer terminations

Policyholders Service

- 5a. Sampled life cash surrenders
- 5b. Sampled extended term/reduced paid up insurance
- 5c. Sampled full cash annuity surrenders

Underwriting and Rating

- 6a. Sampled new business issued during the examination period
- 6b. Sampled life, annuity, and health applications denied during the examination period
- 6c. Sampled life policies replaced during the examination period
- 6d. Sampled annuity contracts replaced during the examination period
- 6e. Sampled Medicare Supplement policies replaced during the examination period

Claims

- 7a. Sampled Medicare Supplement claims paid during the examination period
- 7b. Sampled life claims paid during the examination period
- 7c. Sampled annuity claims paid during the examination period
- 7d. Sampled Medicare Supplement denied claims during the examination period for benefits not covered by the policy provisions
- 7e. Sampled denied life claims during the examination period for benefits not covered by the policy provisions

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*).

IV. FINDINGS

A. Operations/Management

- 1a. A review of one (1) year of internal audit plans produced no criticisms.
- 1b. A review of one (1) year of external audit reports with accompanying letters produced no criticisms.
- 1c. A review of one (1) third-party administrator audit report produced no criticisms.
- 1d. A review of the computer information controls produced no criticisms.
- 1e. A review of the Company's disaster recovery plan produced no criticisms.
- 1f. A review of the procedures for the protection of nonpublic customer information produced no criticisms.
- 1g. A review of six (6) third-party administrator agreements produced no criticisms.
- 1h. A review of 23 privacy forms and Company procedures produced no criticisms.
- 1i. A review of four (4) record retention documents produced no criticisms.

B. Complaint Handling

- 2a. A review of 16 complaints received by the Illinois Department of Insurance produced no criticisms.
- 2b. A review of three (3) directly received complaints produced no criticisms.

C. Marketing and Sales

- 3a. A review of 36 pieces of advertising materials produced no criticisms.
- 3b. A review of 48 pieces of producer training materials and agent communications produced no criticisms.

D. Producer Licensing

- 4a. A review of 86 producers to determine whether the agents were duly licensed produced no criticisms.
- 4b. A review of 113 terminated producers produced no criticisms.

E. Policyholder Service

- 5a. Life Cash Surrenders – A review of 49 surrenders produced no criticisms.
- 5b. Annuity Cash Surrenders – A review of 36 surrenders produced no criticisms.
- 5c. Reduced Paid Up – A review of 57 reduced paid up policies produced no criticisms.

F. Underwriting and Rating

- 6a. New Business Issued – A review of 15 life, 58 annuity, and 13 Medicare Supplement policies issued produced one (1) criticism. Criticism 10 was issued to the Company:
 - Nine (9) annuity files were in violation of 50 Ill. Adm. Code 3120.50(f)(3)(B) for failure to require properly executed proof of compliance with annual certifications.

- 6b. Declined Applications – A review of 70 declined life and Medicare Supplement applications produced no criticisms.
- 6c. Life Replacements – A review of three (3) Final Expense and two (2) Pre-Need life replacements produced 14 violations. Criticisms 8, 9 and 16 were issued to the Company:
- Three (3) Final Expense files were in violation of 50 Ill. Adm. Code 917.60(b)(1) for failure to use the required replacement form, Notice Regarding Proposed Life Insurance or Annuity (Exhibit B) (Criticism 8).
 - Three (3) Final Expense files were in violation of 50 Ill. Adm. Code 917.70(b) for failure to obtain copies of the proper notice Exhibit B (Criticism 9).
 - Three (3) Final Expense files were in violation of 50 Ill. Adm. Code 917.70(c) for failure to provide notice to the existing insurer within three working days after receipt of the application for life insurance (Criticism 9).
 - Three (3) Final Expense and two (2) Pre-Need files were in violation of 50 Ill. Adm. Code 917.70(c) for failure to provide a Buyer's Guide to the applicant within three working days after receipt of the application (Criticism 16).
- 6d. Annuity Replacements Issued – A review of 38 Ingenium and 41 Se2 annuity replacements produced 59 violations. Criticisms 10, 12, 13, 14 and 15 were issued to the Company:
- Twenty-three Se2 files were in violation of 50 Ill. Adm. Code 3120.50(f)(3)B for failure to require properly executed proof of compliance with annual certifications (Criticism 10).
 - Sixteen Ingenium files were in violation of 50 Ill. Adm. Code 917.60(b)(1) for not having a copy of Exhibit B in the file (Criticism 12).
 - Fourteen Ingenium files were in violation of 50 Ill. Adm. Code 917.60(b)(1) for not having the producers' signature on Exhibit B (Criticism 13).
 - Five (5) Ingenium files were in violation of 50 Ill. Adm. Code 917.70(c) for not providing notice to the existing insurer within three working days after receipt of the application (Criticism 14).
 - One (1) Ingenium file was in violation of 50 Ill. Adm. Code 917.70(d) for failure to provide the required Exhibit A (Criticism 15).
- 6e. Medicare Supplement Replacements Issued – A review of 87 internal and external Medicare Supplement replacements produced no criticisms.

G. Claims

- 7a. Paid Individual Medicare Supplement Claims
A review of 184 paid claims produced eight (8) violations. Criticisms 2 and 3 were issued to the Company:
- Five (5) claims were not paid within 30 days as required by 215 ILCS 5/368a(c) (Criticism 2).
 - Three (3) claims were not paid within 30 days and the Company failed to pay interest on claims not paid within 30 days as required by 215 ILCS 5/368a(c) (Criticism 3).

- 7b. Paid Life Claims
A review of nine (9) paid life claims – Final Expense and 108 paid life claims – Pre-Need produced no criticisms.
- 7c. Paid Annuity Claims
A review of 13 annuity death claims produced no criticisms.
- 7d. Denied Medicare Supplement Claims
A review of 108 denied claims produced 15 violations. Criticism 4 was issued to the Company:
- The Company failed to offer payment within 30 days after affirmation of liability on 15 claims as required by 50 Ill. Adm. Code 919.50(a)(2).
- 7e. Denied Life Claims
A review of three (3) denied Final Expense life claims and four (4) denied Pre-Need life claims produced seven (7) violations. Criticism 11 was issued to the Company:
- The Company failed to provide evidence they notified claimants of the availability of the Illinois Department of Insurance on seven (7) files as required by 50 Ill. Adm. Code 919.50(a)(1).

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Tammy Gavin, being first duly sworn upon his/her oath, deposes and says:

That she 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"), NAIC #91642.

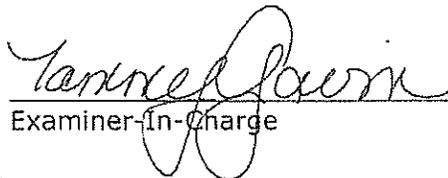
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish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

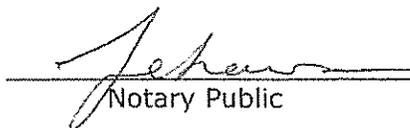
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

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 21 day of September, 2015.


Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Jeanne Lawson, Notary Public
Skipack Twp., Montgomery County
My Commission Expires Sept. 28, 2017
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

FORETHOUGHT LIFE INSURANCE COMPANY
300 NORTH MERIDIAN ST., SUITE 1800
INDIANAPOLIS, IN 46204

STIPULATION AND CONSENT ORDER

WHEREAS, the Acting Director ("Acting 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 ("Company"), NAIC 91642, is authorized under the insurance laws of this State and by the Acting Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, 5/407, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrong doing of any kind whatsoever by the Company; and

WHEREAS, the Company 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, and 407, 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

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

WHEREAS, the Company and the Acting 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 Stipulation and Consent Order.

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

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Acting Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

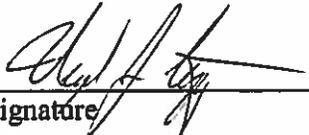
THEREFORE, IT IS HEREBY ORDERED by the undersigned Acting Director that the Company shall:

1. Institute and maintain procedures whereby the Company ensures all claims are affirmed or denied within 30 days once liability is established as required by 50 Ill. Adm. Code 919.50(a)(2).
2. Institute and maintain procedures whereby the Company use the proper replacement form as required by 50 Ill. Adm. Code 917.60(b)(1).
3. Institute and maintain procedures whereby the Company uses and collects all required notices for replacements of life insurance or annuity contracts as required by 50 Ill. Adm. Code 917.70(b).
4. Institute and maintain procedures whereby the Company provide notice to the existing insurer within three working days after receipt of the application for life insurance or annuity as required by 50 Ill. Adm. Code 917.70(c).
5. Institute and maintain procedures whereby the Company ensures the proper collection and retention of broker-dealer annual suitability certifications for new business and annuity replacements as required by 50 Ill. Adm. Section 3120.50(f)(3)(B).
6. Institute and maintain changes to all notification letters and delay letters whereby the Company ensures all claimants are notified of the availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).
7. Institute and maintain procedures whereby the Company ensures the retention of the Notice Regarding Proposed Replacement of Life Insurance or Annuity as required by 50 Ill. Adm. Code 917.60(b)(1).
8. Institute and maintain procedures whereby the Company ensures the verification of the producers' signature on the proper replacement form as required by 50 Ill. Adm. Code 917.60(b)(1).
9. Institute and maintain procedures whereby the Company give notice to the existing insurer within three working days after receipt of the application for life insurance or annuity as required by 50 Ill. Adm. Code 917.70(c).

10. Institute and maintain procedures whereby the Company provide copies of the Buyer's Guide to the applicant within three working days of receipt of the application as required by 50 Ill. Adm. Code 917.70(c).
11. Submit to the Acting Director of Insurance, State of Illinois, proof of compliance with the above ten orders within 30 days of execution of this Order.
12. Pay to the Acting Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$25,500 to be paid within 30 days of execution of this Order.
13. The Company will pay any and all outstanding examination fees and expenses within 30 days of execution of this Order and submit proof of payment to the Department.

NOTHING contained herein shall prohibit the Acting 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 the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of FORETHOUGHT LIFE INSURANCE COMPANY



Signature

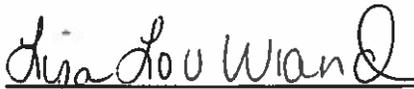
Nigel J. Riggins

Name

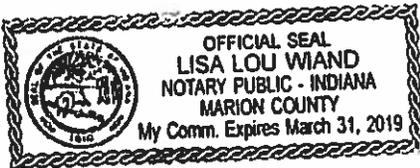
V.P. Compliance

Title

Subscribed and sworn to before me this
24 day of December 2015.

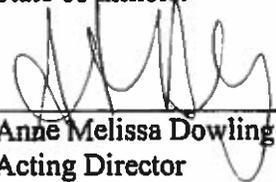


Notary Public



DATE 1/6/16

DEPARTMENT OF INSURANCE of the
State of Illinois:



Anne Melissa Dowling
Acting Director