

**DELAWARE DEPARTMENT OF INSURANCE**

**MARKET CONDUCT EXAMINATION REPORT**

**FORETHOUGHT LIFE INSURANCE COMPANY**  
**NAIC #91642**

**One Forethought Center**  
**Batesville, IN, USA 47006**

**As of**

**June 30, 2020**

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of June 30, 2020 on

**FORETHOUGHT LIFE INSURANCE COMPANY**

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to read "Andrew David".

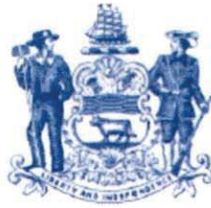


In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 23 day of August, 2021.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro".

Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
**FORETHOUGHT LIFE INSURANCE COMPANY**  
AS OF  
June 30, 2020

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand  
and affixed the official seal of this Department at the  
City of Dover, this 23 day of August, 2021.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro  
Insurance Commissioner

## Table of Contents

EXECUTIVE SUMMARY .....	2
SCOPE OF EXAMINATION.....	4
METHODOLOGY .....	4
COMPANY HISTORY AND PROFILE .....	5
COMPANY OPERATIONS AND MANAGEMENT .....	6
COMPLAINTS HANDLING.....	7
MARKETING AND SALES.....	7
PRODUCER LICENSING .....	7
POLICYHOLDER SERVICES .....	8
UNDERWRITING AND RATING.....	8
CONCLUSION.....	11

Honorable Trinidad Navarro  
Insurance Commissioner State of  
Delaware  
1351 West North Street, Suite 101  
Dover, DE 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority Number 91642-20-518, and pursuant to statutory provisions including 18 *Del. C.* §§ 318 - 322, a market conduct examination has been conducted of the affairs and practices of:

**Forethought Life Insurance Company NAIC #91642**

The examination was performed as of June 30, 2020. The examination consisted of an off-site phase which was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

## EXECUTIVE SUMMARY

The examination was announced as part of a series of examinations on companies in the annuity marketplace in Delaware. The examination focused on the Company's annuity and life insurance business in the following areas of operation: Company Operations and Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services and Underwriting and Rating. This effort was conducted to gauge the Company's practices in the suitability, replacement and surrender transactions.

All the exceptions were noted in the areas of Producer Licensing, Policyholder Services and Underwriting and Rating.

It is noted the Company had a significant improvement from the previous examination completed in 2017. Whereas the Company had 42 exceptions for 18 Del. Admin. C. §1204 - 7.3 in the previous examination, there are no violations noted for the current examination. Other areas of improvement have been noted below:

The following exceptions were noted:

- **2 Exceptions**

- **18 Del. C. §1716. Notification to Insurance Commissioner of termination.**

- *(d) Copy of notification to be provided to producer. --*

- *(1) Within 15 days after making the notification required by subsections (a), (b) and (c) of this section, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in § 1712 of this title, the insurer shall provide a copy of the notification to the producer at that producer's last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.*

The Company failed to prove that a notification to the producer was sent within 15 days.

- **1 Exception**

- **18 Del. C. §1715 Appointments.**

- *(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.*

- *(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.*

- *(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the*

**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

*Insurance Commissioner shall notify the insurer within 5 days of its determination.*

*(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.*

The Company accepted one application for insurance from a producer not duly appointed by the Company within 15 days of the receipt of the application.

- **1 Exception**

- **18 Del. Admin. C. 1204 § 5.1.1**

*Each agent or broker who initiates the application shall, on the request of the prospective purchaser, furnish the Buyers Guide as described by Regulation 29 and shall submit to the insurer to which an application for life insurance or annuity is presented, with or as a part of each application:*

*5.1.1 statement signed by the applicant as to whether the replacement of existing life insurance or annuities are involved in the transaction.*

The Company failed to get a statement signed by the applicant at the time of application as to whether the replacement of existing life insurance or annuities are involved in the transaction.

- **1 Exception**

- **18 Del. Admin. C. 1204 § 5.1.2**

*Each agent or broker who initiates the application shall, on the request of the prospective purchaser, furnish the Buyers Guide as described by Regulation 29 and shall submit to the insurer to which an application for life insurance or annuity is presented, with or as a part of each application:*

*5.1.2 a signed statement as to whether the agent or broker knows replacement is or may be involved in the transaction.*

The Company failed to get a statement signed by the producer at the time of application stating whether the agent or broker knows replacement is or may be involved in the transaction.

- **1 Exception**

- **18 Del. Admin. C. 1214 § 5.2.9 Insurance Producer Training**

*5.1 An insurance producer shall not solicit the sale of an annuity product unless the insurance producer has adequate knowledge of the product to recommend the annuity and the insurance producer is in compliance with the insurer's standards for product training. An insurance producer may rely on insurer-provided product specific training standards and materials to comply with this subsection.*

The Company accepted an application without proof of the producer having the required training.

- **2 Exceptions**

- **18 Del. Admin. C. 1204 § 5.2.1**



**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

*Where replacement is involved, the agent or broker shall:*

*5.2.1 Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant.*

The Company failed to have the producer sign the replacement form at the time of application and did not collect a replacement form as required by law. This is an improvement compared to the previous examination completed in 2017 in which the Company was cited for nine violations of this law.

- **3 Exceptions**

**18 Del. Admin. C. 1204 § 7.1.2.2 Duties of Insurers That Use Agents or Brokers.**

*Each insurer that uses an agent or broker in a life insurance or annuity sale shall:*

*7.1.2.2 Send to each existing insurer a written communication advising of the replacement or proposed replacement of the policy. The communication should include the information obtained pursuant to section 7.1.2.1 above and a Summary or Ledger Statement describing the proposed new policy. This written communication shall be made within 7 working days of the date the application is received in the replacing insurer's home office, or the date the proposed life insurance policy or annuity Policy is issued, whichever is sooner.*

Forethought's written communication advising the existing insurer of the replacement was not made within seven working days of the date the application was received in the replacing insurer's home office. This is an improvement compared to the previous examination completed in 2017 in which the Company was cited for 18 violations of this law.

## **SCOPE OF EXAMINATION**

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§318-322 and covered the experience period of January 1, 2018 through June 30, 2020, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware annuity suitability, replacement and surrender laws and regulations related to the sales and marketing of individual cash value life insurance, individual fixed annuities and individual variable annuities.

The examination was a targeted market conduct examination of the Company's life insurance and annuity business in the following areas of operation: Company Operations and Management; Complaint Handling; Marketing and Sales; Producer Licensing Policyholder Services; and Underwriting and Rating.

## **METHODOLOGY**

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the



**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

Company.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the examination report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

## **COMPANY HISTORY AND PROFILE**

Forethought Life Insurance Company (formerly Fairfield Life Insurance Company) (“Forethought”) is domiciled in Indiana and was acquired by Forecorp, Inc., a subsidiary of Hillenbrand Industries, Inc. on July 1, 1986. Control was acquired by the purchase of 100% of the common stock of the company from General Reassurance Corporation of Stamford, Connecticut. The name “Forecorp, Inc.” was changed in 1997 to Forethought Financial Services, Inc. (“FFSI”). FFSI was acquired from Hillenbrand Industries, Inc. by Forethought Financial Group, Inc. (“FFG,” formerly FFS Holdings, Inc.) on July 1, 2004. Century Capital Partners III, L.P., and Century Capital Partners, IV, L.P. became principal stockholders of FFG on June 29, 2007. Private investment funds advised by Wellington Capital Management, LLC became principal stockholders of FFG on November 13, 2009.

On January 2, 2014, Forethought’s parent company, FFG, was acquired by Global Atlantic (Fin) Company (“FinCo”), a subsidiary of Global Atlantic Financial Group Limited (“GAFGL”), pursuant to a merger transaction (the “Merger”). Simultaneously, FFSI changed its name to Forethought Services LLC (“Forethought Services”).

As a result of the Merger and certain other related transactions, FFG became a wholly owned, direct subsidiary of FinCo, and Forethought became a direct subsidiary of Commonwealth Annuity and Life Insurance Company (“CwA”), which is directly (21%) and indirectly (79%) a wholly owned subsidiary of FinCo. FinCo and certain of its affiliates filed a Form A statement (“Form A”) for the acquisition of control of Forethought with the Indiana Insurance Commissioner (the “Commissioner”) on October 22, 2013, which was approved by order of the Commissioner on

**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

December 23, 2013. The Goldman Sachs Group, Inc. owns approximately 22% of the voting securities of GAFGL.

On December 29, 2017, FFG merged with and into FinCo and, immediately thereafter, Forethought Services merged with and into FinCo. In each case, FinCo continued as the surviving corporation and become 100% owner and direct parent of CwA and its subsidiaries. Immediately following the second merger, FinCo, as the successor to Forethought Services, contributed its 5% ownership interest in the capital stock of Forethought and its 5% ownership interest in the capital stock of Forethought National Life Insurance Company (“FNLIC”) to CwA. As a result, CwA then owned 100% of the issued and outstanding capital stock of Forethought and FNLIC.

On December 31, 2019, FNLIC, a Texas insurance company, merged with and into Forethought, with Forethought being the surviving entity.

Forethought is licensed in 49 states (i.e., all states other than New York) and the District of Columbia as a life and annuity insurer. Forethought began issuing life insurance in 1985, initially focusing on pre-need life insurance, where it established and has maintained a leading market position. In 2006, Forethought recruited a new executive management team with extensive experience in fixed and variable annuities, with the intent to enter the annuity marketplace. In early 2007, Forethought successfully expanded its product lines from preneed life insurance to include fixed annuities and fixed indexed annuities sold through independent agents.

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. This acquisition broadened Forethought’s annuity distribution platform to include the broker-dealer distribution channel, while also facilitating the addition of a variable annuity product line. In March 2013, Forethought began issuing variable annuities. As of their 2019 annual statement for the State of Delaware, Forethought Life Insurance Company reported direct business life insurance premiums in the amount of \$3,760,680, annuity considerations in the amount of \$32,294,008.

## **COMPANY OPERATIONS AND MANAGEMENT**

The Company provided the requested information documenting its management and operational procedures in areas for which they conduct business for the State of Delaware.

- The Company’s History and Profile
- The Company’s Organizational Charts
- Internal Audit & Compliance Procedures and Reports
- Antifraud Program Compliance Manual
- Documentation indicating that the Company does not use managing general agents (MGAs), general agents (GAs), third-party administrators (TPAs)
- A statement that all Company business functions are conducted internally, and therefore, no monitoring is required or takes place
- A statement that the records of Forethought Life Insurance Company are adequate,

**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

- accessible, consistent and orderly and comply with Delaware record retention requirements
- Copies of the Annual Reports for 2017 2018, and 2019

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations, and the NAIC Standards.

No exceptions were noted.

## **COMPLAINTS HANDLING**

The Company had no Delaware consumer complaints received during the experience period.

## **MARKETING AND SALES**

The Company provided a list of 2,760 pieces of advertising materials utilized in Delaware during the examination period. The advertising materials consisted of: letters, brochures, presentations, product guides, fliers, blogs, websites, emails, statements, ads, print ads, handouts, articles, mailers, multimedia, scripts, web content, print ads, spreadsheets, notices, newsletters, press releases, videos, business cards, banner ads, post cards, proposals, prospectus covers, seminars, and tweets. A sample of 114 pieces of advertising materials was requested, received and reviewed. The advertising materials were reviewed to ascertain compliance with 18 *Del. C.* §2303 Unfair Methods of Competition, and Unfair or Deceptive Acts or Practices and 18 *Del. C.* §2304 Unfair methods of competition and unfair or deceptive acts or practices defined.

No exceptions were noted.

## **PRODUCER LICENSING**

The Examiners compared a listing of all policies sold to the listing of active producers during the examination period. In addition, the Company was requested to provide a listing of all producers terminated with the Company in Delaware during the examination period. The Company provided a list of 51 terminated producers. All 51 terminated producers were compared to departmental records of producers to verify termination.

The following exceptions were noted.

**2 Exceptions – 18 *Del. C.* §1716. Notification to Insurance Commissioner of termination.**

The Company failed to prove that a notification of termination was sent to the producer within 15 days.

*Recommendation:* It is recommended the Company notify the producer of the termination within 15 days in accordance with 18 *Del. C.* § 1716.

All other exceptions are noted in the sections where a violation occurred.

## POLICYHOLDER SERVICES

### A) Contracts Surrendered

Forethought provided a list of 187 individual fixed annuity contracts surrendered during the experience period. A random sample of 79 contract files was requested, received, and reviewed.

Forethought provided a list of 17 individual variable annuity contracts surrendered during the experience period. All 17 contract files were requested, received, and reviewed.

The files were reviewed to ensure compliance with contract provisions, Delaware surrender laws and regulations, and the proper processing of any cash surrender value payment.

No exceptions were noted.

## UNDERWRITING AND RATING

### A) Individual Fixed Annuities - New

Forethought provided a list of 436 individual fixed annuity contracts issued, not including replacements, during the examination period. A random sample of 86 annuity contract files was requested, received, and reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

The following exceptions are noted:

#### **1 Exception - 18 Del. C. §1715 Appointments.**

The Company accepted one application for insurance from producer not duly appointed by the Company within 15 days of the receipt of the application.

*Recommendation:* It is recommended that the Company ensure that producers are properly appointed in accordance with 18 Del. C. §1715.

#### **1 Exception 18 Del. Admin. C. 1204 § 5.1.1**

The Company failed to get a statement signed by the applicant at the time of application.

*Recommendation:* It is recommended the Company revise its procedures to ensure the required response to the replacement question is answered correctly by the applicant in accordance with 18 Del. Admin. C. 1204 § 5.1.1.

#### **1 Exception 18 Del. Admin. C. 1204 § 5.1.2**

The Company failed to have a statement signed by the producer at the time of application stating whether the agent or broker knows replacement is or may be involved in the transaction.

*Recommendation:* It is recommended the Company revise its procedures to ensure the correct response to the replacement question is provided by the producer and that the replacement form is signed by the producer in accordance with 18 Del. Admin. C. 1204 §

**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

5.1.2.

**1 Exception – 18 Del. Admin. C. 1214 § 5.2.9 Insurance Producer Training**

The Company accepted an application without proof of the producer having the required training.

*Recommendation:* It is recommended the Company communicate to producers that required training is to be completed prior to soliciting an annuity sale in accordance with 18 Del. Admin. C. 1214 § 5.2.9.

**B) Individual Fixed Annuities - Replacements**

Forethought identified a universe of 2,360 fixed annuity contracts issued as replacements during the examination period. A random sample of 114 fixed annuity contract replacement files was requested, received, and reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

The following exceptions were noted:

**2 Exceptions – 18 Del. Admin. C. 1204 § 5.2.1 Replacement of Life Insurance**

The Company failed to have the producer sign the replacement form at the time of application and did not collect a replacement form as required by law.

*Recommendation:* It is recommended the Company revise its procedures to ensure the replacement notice is presented to the applicant no later than the time of taking the application in accordance with 18 *Del. Admin. C.* 1204 § 5.2.1.

**3 Exceptions - 18 Del. Admin. C. §1204 -7.1.2.2 - Duties of Insurers That Use Agents or Brokers.**

Forethought's written communication advising the existing insurer of the replacement was not made within seven working days of the date the application was received in the replacing insurer's home office.

*Recommendation:* It is recommended that the Company review its procedures to ensure the written communication advising the existing insurer of the replacement is made within seven working days of the date the application is received in the replacing insurer's home office in compliance with 18 *Del. Admin. Code* 1204 §7.1.2.2.

**C) Individual Variable Annuities - New**

The Company identified a universe of one individual fixed annuity contract issued, not including replacements, during the experience period. The annuity contract file was requested, received, and reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

No exceptions were noted.

**Delaware Market Conduct Examination Report  
Forethought Life Insurance Company**

D) Individual Variable Annuities - Replacements

The Company provided a list of one individual variable annuity contract issued as a replacement during the examination period. The annuity contract file was requested, received and reviewed to determine compliance with the Delaware underwriting, issuance and replacement statutes and regulations.

No exceptions were noted.

## **CONCLUSION**

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended the Company notify the producer of the termination within 15 days in accordance with 18 Del. C. § 1716. (Producer Licensing)
2. It is recommended that the Company ensure that producers are properly appointed in accordance with 18 *Del. C.* §1715. (Fixed Annuity New Issue)
3. It is recommended the Company revise its procedures to ensure the required response to the replacement question is answered correctly by the applicant in accordance with 18 *Del. Admin. C.* 1204 § 5.1.1. (Fixed Annuity New Issue)
4. It is recommended the Company revise its procedures to ensure the correct response to the replacement question is provided by the producer and that the replacement form is signed by the producer in accordance with 18 *Del. Admin. C.* 1204 § 5.1.2. (Fixed Annuity New Issue)
5. It is recommended the Company communicate to producers that required training is to be completed prior to soliciting an annuity sale in accordance with 18 Del. Admin. C. 1214 § 5.2.9. (Fixed Annuity New Issue)
6. It is recommended the Company revise its procedures to ensure the replacement notice is presented to the applicant no later than the time of taking the application in accordance with 18 *Del. Admin. C.* 1204 § 5.2.1. (Fixed Annuity Replacements)
7. It is recommended that the Company review its procedures to ensure the written communication advising the existing insurer of the replacement is made within seven working days of the date the application is received in the replacing insurer's home office in compliance with 18 *Del. Admin. Code* 1204 §7.1.2.2. (Fixed Annuity Replacements)

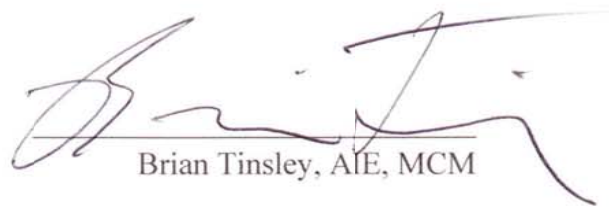


The examination conducted by Joseph Krug, Brian Tinsley, Pete Salvatore and James Hartsfield is respectfully submitted.



Brian Tinsley, AIE, MCM  
Examiner-in-Charge  
Market Conduct  
Delaware Department of Insurance

I, Brian Tinsley, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 91642-20-518.



Brian Tinsley, AIE, MCM