

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Forethought Life Insurance Company)
300 North Meridian Street, Suite 1800)
Indianapolis, IN 46204)

Examination of: **Forethought Life Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Forethought Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 7, 2016, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Forethought Life Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

7/29/2016
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0061 9768

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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Forethought Life Insurance Company)
300 North Meridian Street, Suite 1800)
Indianapolis, IN 46204)

Examination of: **Forethought Life Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Forethought Life Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 11, 2016.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on June 7, 2016 and was received by the Company on June 13, 2016.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Forethought Life Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Forethought Life Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 29 day of
July, 2016.

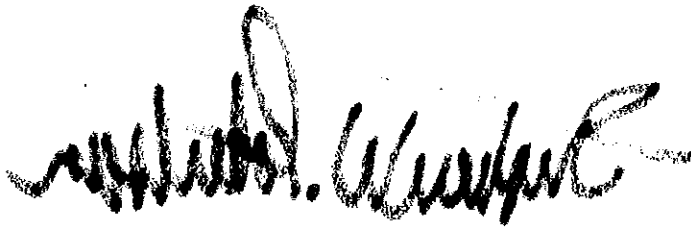

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael W. [unclear]". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

FORETHOUGHT LIFE INSURANCE COMPANY
NAIC COMPANY CODE 91642

As of

December 31, 2014

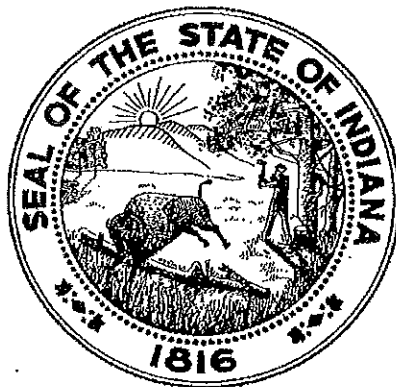
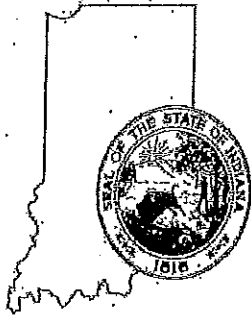


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

May 11, 2016

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3848, an examination has been made of the affairs and financial condition of:

Forethought Life Insurance Company
300 North Meridian Street, Suite 1800
Indianapolis, Indiana 46204

an Indiana domestic life and health insurance company hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 300 North Meridian Street, Suite 1800, Indianapolis, Indiana 46204.

The Report of Examination, showing the status of the Company as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413 COMPANY COMPLIANCE (317) 233-0697 CONSUMER SERVICES (317) 232-2395 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 COMPANY RECORDS (317) 232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-332-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2009. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2010 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by PricewaterhouseCoopers LLP for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The actuarial firm of Actuarial Options, LLC was appointed by the INDOI and conducted a review of the following accounts as of December 31, 2014: Uncollected Premiums and Agent Balances, Deferred Premiums, Aggregate Reserves for Life Contracts, Aggregate Reserves for Accident and Health Contracts, Liability for Deposit Type Contracts, Contract Claims – Life, Contract Claims – Accident and Health, Premiums Paid in Advance, Other Amounts Payable on Reinsurance, Transfers from Separate Accounts, and Hartford Reinsurance VACARVM Expense Allowance.

In accordance with the 2014 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was formed on February 14, 1980, as a Delaware domestic insurer formerly known as Fairfield Life Insurance. The Company operated as a wholly-owned subsidiary of General Reassurance Corporation and acted primarily as a reinsurer of accident and health business. On July 1, 1986, Forethought, Inc., a subsidiary of Hillenbrand Industries, Inc. located in Batesville, Indiana, acquired 100% of the common stock of the Company from General Reassurance Corporation. Shortly thereafter, the Company was re-domesticated to Indiana, and its name was changed to Forethought Life Insurance Company.

Effective January 2, 2014, the Company became an indirect wholly-owned subsidiary of Global Atlantic Financial Group Limited (GAFG) as a result of GAFG's acquisition of Forethought Financial Group, Inc. (FFG) which owns the Company's direct parent, Commonwealth Annuity and Life Insurance Company (CWA).

CAPITAL AND SURPLUS

As of December 31, 2014, the Company's total capital and surplus was \$804,955,436 which included: common capital stock of \$2,500,000, consisting of 1,000 issued and outstanding shares, with a par value of \$2,500 per share, gross paid-in contributed surplus of \$500,553,430, and unassigned funds (surplus) of \$301,902,006. As of December 31, 2014, CwA and Forethought Services, LLC (FSLLC) owned 95% and 5% of the outstanding shares respectively.

During 2014, the Company received an aggregate capital contribution of \$125,000,000, which included \$118,750,000 from CwA and \$6,250,000 from FSLLC. In addition, in 2013, the Company received a capital contribution of \$50,000,000 from its former parent, Forethought Financial Services, Inc.

DIVIDENDS TO STOCKHOLDERS

The Company paid \$90,000,000 in dividends to its shareholders during the examination period. The following exhibit presents the dividends paid:

<u>Year</u>	<u>Dividends Paid</u>
2013	\$ 15,000,000
2012	35,000,000
2011	<u>40,000,000</u>
Total	<u>\$ 90,000,000</u>

TERRITORY AND PLAN OF OPERATION

The Company was licensed to transact business in all states, except New York, the District of Columbia, and the Commonwealth of Puerto Rico, as of December 31, 2014. The Company's primary lines of business are pre-need insurance products and annuities.

The Company's pre-need business offers products that are designed to provide funds to pay for pre-arranged funeral services, end of life expenses, and merchandise for individuals at a future time of need. The pre-need insurance products are marketed primarily through independent licensed agents associated with funeral firms, and other providers of funeral and cemetery services.

The Company's annuity business offers insurance based financial products to the U.S. retirement market. The annuity products include fixed annuities, fixed indexed annuities, and variable annuities. The annuity products are offered and marketed primarily through distribution relationships with regional banks, regional and independent broker-dealers, and independent marketing organizations across the U.S.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Premiums Earned</u>	<u>Net Income</u>
2014	\$12,583,872,787	\$11,778,917,351	\$804,955,436	\$4,907,930,997	\$170,313,341
2013	7,957,225,259	7,434,762,466	522,462,793	2,331,028,656	22,951,143
2012	6,256,052,027	5,794,680,411	461,371,616	1,413,811,952	68,960,898
2011	5,465,835,793	5,049,456,262	416,379,531	877,285,359	50,707,078
2010	4,939,549,746	4,522,207,642	417,342,104	811,331,503	69,272,191

The significant growth in net premiums earned during 2014 was attributed to the Company's increased sales in its annuity products, including multi-year guaranteed annuities and variable annuities. The sales growth was a result of the Company's continued expansion of its distribution, marketing channels, and product offerings. In addition, the increase in surplus during 2014 was primarily due to the net income of \$170,313,341, combined with the capital contribution of \$125,000,000 from its parent companies.

The Company reported positive net income in each of the five (5) years under examination.

MANAGEMENT AND CONTROL

Directors

The Company's Amended and Restated Code of By-Laws specify the number of Directors of the Company shall be five (5). However, as of December 31, 2014, the Company had eight (8) elected directors. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gilles Maurice Dellaert New York, New York	Chief Investment Officer Global Atlantic Financial Group Limited
John Arthur Graf Houston, Texas	President Forethought Financial Group, Inc.
Hanben Kim Lee New York, New York	Chief Financial Officer Global Atlantic Financial Group Limited
Allan Steven Levine New York, New York	Chairman and Chief Executive Officer Global Atlantic Financial Group Limited
Nicholas Helmuth von Moltke New York, New York	Chief Operating Officer Global Atlantic Financial Group Limited
Michael Anthony Reardon Southborough, Massachusetts	President Forethought Life Insurance Company

Richard Vaughn Spencer
Wilson, Wyoming

Executive Manager
Fall Creek Management

Eric David Todd
Indianapolis, Indiana

Senior Vice President
Forethought Life Insurance Company

Officers

The executive officers of the Company, as defined in the Amended and Restated Code of By-Laws, shall consist of a President, a Treasurer, a Secretary, and such other officers as may be elected by the Board of Directors. The officers elected by the Board of Directors and serving as of December 31, 2014, were as follows:

<u>Name</u>	<u>Title</u>
Allan Steven Levine	Chief Executive Officer
Michael Anthony Reardon	President
Craig Alan Anderson	Chief Financial Officer and Treasurer
Samuel Ramos	General Counsel and Secretary
Hanben Kim Lee	Executive Vice President and Chief Risk Officer
Kathleen Marie Redgate	Executive Vice President
Gilles Maurice Dellaert	Executive Vice President and Chief Investment Officer
Mary Louise Cavanaugh	Executive Vice President and Chief Compliance Officer
Robert Michael Arena, Jr.	Annuity Division President
Paula Genevieve Nelson	Executive Vice President, Marketing
Nicholas Helmuth von Moltke	Executive Vice President and Chief Operating Officer
David Kevin Mullen	Senior Vice President and Chief Administrative Officer
John Joeseoph Fowler	Senior Vice President
Johnathan Hecht	Senior Vice President
Justin David MacNeil	Senior Vice President
Larry Edward Mitzman	Senior Vice President, Tax
Scott Douglas Silverman	Senior Vice President and Assistant Secretary
Deva Rishi Mishra	Senior Vice President
Eric David Todd	Senior Vice President
Joel Volcy	Senior Vice President
John Daniel Walls II	Senior Vice President, Life Division
Cathy Lynn Wildt	Senior Vice President, Product Management Officer
Ronald Lee Zeigler	Senior Vice President and Chief Actuary
Kenneth John Bohrer	Senior Vice President and Life Finance Officer
Dennis Michael Cody	Senior Vice President and Annuity Finance Officer
Michael Henry Ebmeier	Senior Vice President, Annuity Division
Brenda Louise Gempler	Senior Vice President, National Accounts
Mark Edward Gempler	Senior Vice President, National Sales
Simeon Rey Hernandez III	Senior Vice President, Annuities
Matthew Paul Stone	Senior Vice President, National Account Manager
Phillip William Sherrill	Senior Vice President
Robert James Egan	Vice President, Valuation and Appointed Actuary

Corporate Governance

The Board of Directors has established several committees, each governed by a charter approved by the Board of Directors. The committees formed by the Board of Directors and the member directors as of December 31, 2014 are shown below:

Audit Committee:

Richard Vaughn Spencer Chairman
Allen McMichael Gibson
John Arthur Graf
Michael Seth Rubinoff

As of December 31, 2014, the Company elected to designate the GAFG Audit Committee as its Audit Committee pursuant to 760 IAC 1-78-13(h).

Investment Committee:

Gilles Maurice Dellaert Chairman
Hanben Kim Lee
Allan Steven Levine
Nicholas Helmuth von Moltke
Michael Anthony Reardon

In addition to the board committees, the Company receives oversight from management level committees that are appointed by the Board of Directors. As of year-end 2014, the Company's management level committees included a Risk Committee, Compliance Committee, and a Retail Product Operating Committee.

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

Indiana Code 27-1-7-10(j) requires that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2014, signed an Oath of Office statement when elected. However, the Company was not able to provide Oath of Office statements for two (2) of the directors that were elected in 2011 and 2012. (Please see the "Other Significant Findings" section of this report of examination regarding this issue.)

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the period under examination.

By-Laws

There were no amendments made to the Amended and Restated Code of By-Laws during the period under examination. **However, please see the "Subsequent Events" section of this report of examination.**

Minutes

The Board of Directors and Shareholders meeting minutes were reviewed for the period under examination through the fieldwork completion date, and significant actions taken during each meeting were noted. Although the Annual Shareholders meetings for the period under examination were held in accordance with IC 27-1-7-7(b), the Company was not able to provide Shareholder meeting minutes for 2011 and 2012. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following abbreviated organizational chart depicts the Company's relationship within the holding company system. All companies are 100% owned, unless otherwise indicated by the ownership footnotes.

	NAIC Company Code	Domiciliary State/Country
The Goldman Sachs Group Inc.		DE
Global Atlantic Financial Group Limited (1)		Bermuda
Ariel Re (Holdings)Limited		Bermuda
Global Atlantic Financial Life Limited		Bermuda
Commonwealth Re Midco Limited		Bermuda
Commonwealth Annuity and Life Reinsurance Company Limited		Bermuda
Global Atlantic (Fin) Company		DE
Global Atlantic Financial Company		DE
Global Atlantic Risk Services, LLC		DE
GA Risk Advisors, Inc.		DE
Global Atlantic Risk Advisors, LP.		DE
Epoch Securities, Inc.		DE
Forethought Financial Group, Inc.		DE
Forethought Capital Funding, Inc.		DE

Forethought Investment Advisors, LLC		IN
Forethought Distributors, LLC		DE
Forethought Services, LLC.		DE
ForeLife Agency, Inc.		IN
Commonwealth Annuity & Life Insurance Company (2)	84824	MA
First Allmerica Financial Life Insurance Company	69140	MA
Forethought Life Insurance Company (3)	91624	IN
FLIC Properties, LLC		IN
Forethought National Life Insurance Company (4)	77127	TX
Forethought Holdings, LLC		IN
Accordia Life and Annuity Company	62200	IA
Cape Verity I, Inc.	15475	IA
Cape Verity II, Inc.	15472	IA
Cape Verity III, Inc.	15473	IA
Gotham Re. Inc.	15333	VT
Tapioca View, LLC.		DE
Gotham Issuer, LLC. (5)		DE

Ownership footnotes:

- (1) The Goldman Sachs Group, Inc. (GS Group) 22%, Third Party Investors 78%
- (2) FSLLC 79%, Global Atlantic (Fin) Company (FinCo) 21%
- (3) CwA 95%, FSLLC 5%
- (4) CwA 95%, FSLLC 5%
- (5) Accordia Life and Annuity Company (Accordia) 90%, FinCo 10%

Affiliated Agreements

The following significant Affiliated Agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Services and Expense Agreement

Effective January 2, 2014, the Company entered into a Services and Expense Agreement with FFG, FinCo, GAFG, Forethought National Life Insurance Company (FNLIC), FSLLC, Forethought Capital Funding, Inc., ForeLife Agency, Inc., Forethought Holdings, LLC, FLIC Properties, LLC, Forethought Distributors, LLC (FD), and Forethought Investment Advisors, LLC, under which the parties will provide their employees and various administrative, legal, compliance, technology, operations, financial reporting, human resources, risk management, and other functions to each other as the parties may agree, as well as to participate in the common cost of certain furniture, fixtures, equipment, leased space, and improvements and services related thereto. During 2014, the Company incurred expenses of \$83,594,253 under the terms of this agreement.

Service and Cost Allocation Agreement

Effective December 20, 2012, the Company entered into a Service and Cost Allocation Agreement with FD, whereby the Company provides certain services required by FD in the ordinary course of business. During 2014, the Company incurred net expenses of \$34,879,007 under the terms of this agreement.

Principal Underwriter Agreement

Effective January 31, 2013, the Company entered into a Principal Underwriter Agreement with FD to act as the principal underwriter for variable annuities issued by the Company. No compensation is payable under the Underwriting Agreement except as expense reimbursements provided within the Company's Service and Cost Allocation Agreement with FD.

Marketing Agreement

Effective June 3, 2014, the Company entered into a Marketing Agreement with Accordia, whereby Accordia would license to the Company certain Accordia trademarks and provide the Company access to Accordia's network of independent insurance producers for the sale of certain annuity products of the Company. Effective December 23, 2014, the Company entered into a First Amended and Substituted Marketing Agreement with Accordia through which the parties added five (5) additional annuity products that the Company may sell under Accordia's name. During 2014, the Company incurred expenses of \$418,925 under the terms of this agreement.

Investment Management and Advisory Agreement

Effective January 2, 2014, the Company entered into a Discretionary Advisory Agreement with Goldman Sachs Asset Management, L.P. (GSAM), a wholly-owned subsidiary of GS Group, whereby GSAM provides investment management services to the Company. In 2014, the Company incurred expenses of \$6,833,901 under the terms of this agreement.

Brokerage Agreement

Effective January 2, 2014, the Company entered into a Delivery Versus Payment Account Agreement (the Brokerage Agreement) with Goldman, Sachs & Co. (GS&Co.), whereby GS&Co. acts as executing broker for equity and/or fixed income securities and another non-prime broker institution acts as a custodian for cash and securities. Transactions with GS&Co. as counterparty and transactions between the Company and unaffiliated third parties under the Brokerage Agreement are priced "all in" as part of the bid/offer spread, and do not generate direct brokerage costs.

Business Administration Agreement

Effective July 1, 2004, the Company entered into a Business Administration Agreement with FNLIC. In accordance with the terms of the agreement, the Company agrees to provide administrative services to FNLIC to maintain certain records regarding insurance products sold and issued by FNLIC. The services include but are not limited to: data entry, processing, and quality control regarding FNLIC's insurance products. During 2014, there were no services provided by the Company under this agreement and it did not receive any payments from FNLIC.

Tax Allocation Agreement

Effective January 2, 2014, under a Joinder Agreement, the Company became party to a Tax Allocation Agreement with various affiliates within the GAFG holding company system. This agreement provides for the filing of consolidated federal income tax returns by GAFG on behalf of the insurers and non-insurer affiliates in the holding company system, and the allocation of tax liabilities among those entities. Under the agreement, each party's respective obligation or benefit is calculated on a separate return basis. In 2014, the Company made tax payments of \$104,650,819.

FIDELITY BOND AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond up to a single loss limit of \$15,000,000. This coverage is for all companies within GAFG. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

STATUTORY AND SPECIAL DEPOSITS

The Company reported statutory and special deposits comprised of U.S. Treasury Notes and short-term investments held by various Departments of Insurance and held for others under contractual agreements, as of December 31, 2014:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the Benefit of all Policyholders:		
Indiana	\$ 1,783,034	\$ 2,373,784
All Other Special Deposits:		
Arkansas	122,610	135,449
Florida	317,288	347,825
Georgia	75,054	75,117
Massachusetts	200,144	200,312
New Mexico	233,629	255,630
North Carolina	904,064	937,804
South Carolina	274,000	299,333
Virginia	225,162	225,351
Washington	1,000,000	1,000,000
Puerto Rico	765,036	765,338
Union Security Insurance Company Reinsurance	37,027,024	41,731,447
FHLBI Funding Agreement	224,724,040	239,334,996
Hartford Reinsurance	<u>20,126,197</u>	<u>20,788,085</u>
Total Deposits	<u>\$287,777,282</u>	<u>\$308,470,471</u>

REINSURANCE

Reinsurance Assumed

In 2012, the Company entered into reinsurance agreements with two (2) Hartford Life Insurance Company (Hartford) entities in connection with Hartford's Individual Annuity Platform (IAP). The Company reinsured all new business written by the IAP sales force between May 1, 2012 and May 1, 2013, on a 100% modified coinsurance basis, whereby the reserves for this business are held by Hartford.

For the period from January 1, 2012 through May 1, 2013, premiums assumed under this agreement were \$455,344,000. As of December 31, 2014, the modified coinsurance reserves for the Hartford business were \$392,736,501.

The Company also assumes certain pre-need life insurance policies from Union Security Insurance Company, a non-affiliated company. This block of business is in run-off. As of December 31, 2014, the assumed reserves were \$36,063,219.

Reinsurance Ceded

Effective December 31, 2011, the Company entered into an affiliated reinsurance agreement with FNLIC whereby the Company ceded reserves of \$93,381,717 on a block of single premium fixed annuities. Under this same agreement, effective December 31, 2012, the Company ceded another \$89,726,400 of reserves on a separate block of single premium fixed annuities. Both cessions were made on a funds withheld basis. Reserves ceded under this agreement were \$183,108,117, as of December 31, 2014. This agreement was properly filed and not disapproved by the INDOI on February 15, 2013.

On January 1, 2013, the Company entered into a coinsurance reinsurance agreement with RGA Reinsurance Company. This agreement provides for the Company to reinsure the return of premium risk associated with multi-year guaranteed annuity return of premium policies. The reinsured portion is 90% of the additional reserve liability of the return of premium amount in excess of the cash value. As of December 31, 2014, the Company reported \$15,745,646 of reserve credits taken under the agreement with RGA Reinsurance Company.

In 2010, the Company entered into a reinsurance agreement whereby it ceded 95% of its direct written Medicare Supplement Premiums to Mutual of Omaha. On April 1, 2011, the agreement was amended to provide for the Company to cede 80% of its direct written Medicare Supplement Premiums. As of December 31, 2014, the Company had an \$18,324 reserve credit associated with this agreement.

RESERVES

Robert James Egan, FSA, MAAA, Vice President and Chief Actuary of GAFG is the Appointed Actuary for the Company. Mr. Egan was appointed by the Board of Directors to render an actuarial opinion on the statutory-basis reserves of the Company for 2014. Chad Aaron Padgett, FSA, MAAA, rendered an opinion on such reserves for all other years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2014. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2014 opinion stated that the amounts carried in the balance sheet on account for policy reserves and related actuarial items: 1) are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles, 2) are based on actuarial assumptions which produce reserves at least as great as those called for in any policy or contract provision as to reserve basis and method, and are in accordance with all other contract provisions, 3) meet the requirements of Indiana insurance law and regulations and are at least as great as the minimum

aggregate amounts required by the State of Indiana, 4) are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Annual Statement of the preceding year end, and 5) include provisions for all actuarial reserves and related statement items that ought to be established.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2014, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited statutory statements for each year during the examination period. The audited financial statements were agreed to the Annual Statement for the year ended December 31, 2014, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

The Company's accounts and records are maintained using electronic data processing with the exception of certain items entered manually into the general ledger. The Company maintains adequate supporting work papers which were reviewed during the examination. The Information Systems controls were reviewed in this examination. No material exceptions were noted to accepted control practices and procedures.

From a review of the internal controls, it was determined that the Company's current information systems possess most of the physical and internal controls as prescribed by the NAIC.

Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Summary of Operations
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2014

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31. Prior Year</u>
Bonds	\$ 9,526,489,055	\$ -	\$ 9,526,489,055	\$ 6,557,327,67
Preferred stocks	9,418,700	-	9,418,700	4,400,00
Common stocks	8,500,000	-	8,500,000	8,500,00
Mortgage loans on real estate – first liens	616,278,195	-	616,278,195	451,890,14
Cash, cash equivalents and short-term investments	166,226,577	-	166,226,577	95,290,91
Contract loans	5,151,195	-	5,151,195	4,765,76
Derivatives	32,724,801	-	32,724,801	31,235,79
Other invested assets	186,877,937	-	186,877,937	61,597,79
Receivables for securities	-	-	-	1,437,24
Cash collateral on deposit at banks for derivatives	20,715,249	-	20,715,249	3,389,31
Subtotals, cash and invested assets	\$10,572,381,709	\$ -	\$10,572,381,709	\$ 7,219,834,65
Investment income due and accrued	\$ 61,339,158	\$ -	\$ 61,339,158	\$ 77,854,22
Uncollected premiums and agents' balances in the course of collection	538,026	-	538,026	596,16
Deferred premiums, agents, balances and installments booked but deferred and not yet due	20,999,344	-	20,999,344	21,315,98
Other receivables under reinsurance contracts	248,796	-	248,796	
Current federal and foreign income tax recoverable and interest thereon	2,732,455	-	2,732,455	24,045,83
Net deferred tax asset	34,773,493	-	34,773,493	40,284,76
Guaranty funds receivable or on deposit	901,381	-	901,381	877,47
Receivable from parent, subsidiaries and affiliates	4,200,389	-	4,200,389	1,089,92
Aggregate write-ins for other than invested assets	1,729,814	-	1,729,814	645,57
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$10,699,844,565</u>	<u>\$ -</u>	<u>\$10,699,844,565</u>	<u>\$ 7,386,544,58</u>
Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,884,028,222	-	1,884,028,222	570,680,67
Total Assets	<u>\$12,583,872,787</u>	<u>\$ -</u>	<u>\$12,583,872,787</u>	<u>\$ 7,957,225,25</u>

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2014

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Aggregate reserve for life contracts	\$ 9,271,402,889	\$ -	\$ 9,271,402,889	\$ 6,424,396,153
Aggregate reserve for accident and health contracts	1,539,951	-	1,539,951	432,364
Liability for deposit-type contracts	171,748,667	-	171,748,667	171,715,953
Contract claims:				
Life	5,027,033	-	5,027,033	4,916,702
Accident and Health	1,290,935	-	1,290,935	1,275,218
Premiums and annuity considerations for life and accident and health contracts received in advance	281,904	-	281,904	334,912
Other amounts payable on reinsurance	3,582,179	-	3,582,179	2,639,093
Interest Maintenance Reserve	170,298,871	-	170,298,871	83,817,435
Commissions to agents due or accrued	5,369,182	-	5,369,182	4,592,013
General expenses due or accrued	14,810,866	-	14,810,866	7,641,658
Transfers to Separate Accounts due or accrued (net)	(150,255,161)	-	(150,255,161)	(44,150,023)
Taxes licenses, and fees due or accrued, excluding federal income taxes	3,718,885	-	3,718,885	585,633
Amounts withheld or retained by company as agent or trustee	310,605	-	310,605	339,980
Remittances and items not allocated	36,254,985	-	36,254,985	20,204,800
Asset valuation reserve	57,544,095	-	57,544,095	45,535,733
Funds held under reinsurance treaties with unauthorized and certified reinsurers	183,108,116	-	183,108,116	192,694,642
Funds held under coinsurance	5,983,344	-	5,983,344	4,050,844
Derivatives	70,739	-	70,739	751,113
Payable for securities	36,488,002	-	36,488,002	-
Aggregate write-ins for liabilities	76,313,042	-	76,313,042	(37,031,499)
Total Liabilities excluding Separate Accounts business	\$ 9,894,889,129	\$ -	\$ 9,894,889,129	\$ 6,884,742,724
From Separate Account Statement	\$ 1,884,028,222	\$ -	\$ 1,884,028,222	\$ 550,019,742
Total Liabilities	\$11,778,917,351	\$ -	\$11,778,917,351	\$ 7,434,762,466
Common capital stock	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000
Gross paid in and contributed surplus	500,553,430	-	500,553,430	375,553,430
Unassigned funds (surplus)	301,902,006	-	301,902,006	144,409,363
Surplus	802,455,436	-	802,455,436	519,962,793
Total Capital and Surplus	\$ 804,955,436	\$ -	\$ 804,955,436	\$ 522,462,793
Totals	\$12,583,872,787	\$ -	\$12,583,872,787	\$ 7,957,225,259

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

For the Year Ended December 31, 2014

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premium for life and accident and health contracts	\$4,907,930,997	\$ -	\$4,907,930,997	\$2,331,028,656
Considerations for supplementary contracts with life contingencies	577,316	-	577,316	-
Net investment income	389,238,471	-	389,238,471	363,798,667
Amortization of Interest Maintenance Reserve	24,432,223	-	24,432,223	13,256,254
Separate Accounts net gain from operations excluding unrealized gains or losses	1,704,930	-	1,704,930	-
Commission and expense allowances on reinsurance ceded	11,560,883	-	11,560,883	11,933,755
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	33,800,425	-	33,800,425	3,682,994
Aggregate write-ins for miscellaneous income	20,623,582	-	20,623,582	11,490,376
Totals	\$5,389,868,827	\$ -	\$5,389,868,827	\$2,735,190,702
Death benefits	\$ 339,464,241	\$ -	\$ 339,464,241	\$ 363,926,150
Annuity benefits	91,970,097	-	91,970,097	59,805,926
Disability benefits and benefits under accident and health contracts	9,844,974	-	9,844,974	8,890,045
Surrender benefits and withdrawals for life contracts	277,237,101	-	277,237,101	192,570,557
Interest and adjustments on contracts or deposit-type contract funds	2,784,259	-	2,784,259	3,919,798
Payments on supplementary contracts with life contingencies	69,501	-	69,501	-
Increase in aggregate reserves for life and accident and health contracts	2,848,114,323	-	2,848,114,323	981,082,597
Totals	\$3,569,484,496	\$ -	\$3,569,484,496	\$1,610,195,073
Commissions on premiums, annuity considerations and deposit-type contract funds	\$ 259,260,852	\$ -	\$ 259,260,852	\$ 178,115,882
Commissions and expense allowances on reinsurance				

assumed	925,789	-	925,789	14,118,455
General insurance expenses	110,893,479	-	110,893,479	165,476,040
Insurance taxes, licenses and fees, excluding federal income taxes	15,526,830	-	15,526,830	13,863,254
Increase in loading on deferred and uncollected premiums	(1,763,056)	-	(1,763,056)	(1,765,107)
Net transfers to Separate Accounts net of reinsurance	1,224,943,995	-	1,224,943,995	486,298,466
Aggregate write-ins for deductions	(5,169,397)	-	(5,169,397)	222,663,706
Totals	<u>\$5,174,102,988</u>	<u>\$ -</u>	<u>\$5,174,102,988</u>	<u>\$ 2,688,965,769</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 215,765,839	\$ -	\$ 215,765,839	\$ 46,224,933
Dividends to policyholders	-	-	-	-
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 215,765,839	\$ -	\$ 215,765,839	\$ 46,224,933
Federal and foreign income taxes incurred	48,822,713	-	48,822,713	16,351,906
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 166,943,126	\$ -	\$ 166,943,126	\$ 29,873,027
Net realized capital gains (losses)	3,370,215	-	3,370,215	(6,921,884)
Net Income	<u>\$ 170,313,341</u>	<u>\$ -</u>	<u>\$ 170,313,341</u>	<u>\$ 22,951,143</u>

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus, December 31, prior year	\$522,462,793	\$461,371,616	\$416,379,531	\$417,342,104	\$346,778,206
Net income	170,313,341	22,951,143	68,960,898	50,707,078	69,272,191
Change in net unrealized capital gains (losses) less capital gains tax	3,550,374	(716,682)	8,108,035	(8,576,266)	2,363,363
Change in net unrealized foreign exchange capital gain (loss)	(684,793)	753,913	-	-	-
Change in net deferred income tax	(4,137,938)	15,541,249	6,069,021	4,630,401	2,782,366
Change in nonadmitted assets	1,080,951	190,541	1,542,223	(1,649,098)	1,510,151
Change in asset valuation reserve	(12,008,362)	(13,249,917)	(4,688,092)	(6,074,688)	(5,364,173)
Surplus (contributed to) withdrawn from Separate Accounts during period	20,040,000	(20,040,000)	-	-	-
Other changes in surplus in Separate Accounts Statement	(20,660,930)	20,660,930	-	-	-
Surplus adjustment: Paid in	125,000,000	50,000,000	-	-	-
Dividends to stockholders	-	(15,000,000)	(35,000,000)	(40,000,000)	-
Net change in capital and surplus for the year	<u>\$282,492,643</u>	<u>\$ 61,091,177</u>	<u>\$ 44,992,085</u>	<u>\$ (962,573)</u>	<u>\$ 70,563,898</u>
Capital and surplus, December 31, current year	<u>\$804,955,436</u>	<u>\$522,462,793</u>	<u>\$461,371,616</u>	<u>\$416,379,531</u>	<u>\$417,342,104</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2014, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

1. Number of Directors

Article 4, Section 4.01 of the Company's Amended and Restated Code of By-Laws specify the number of Directors of the Company shall be five (5). However, as of December 31, 2014, the Company had eight (8) elected directors.

Subsequent to the period covered by this examination, the Company revised its Amended and Restated Code of By-Laws as noted in the "Subsequent Events" section of this report of examination. Article 4, Section 4.01 of the Amended and Restated By-Laws specifies that the number of directors of the Company shall be not less than five (5) nor more than fifteen (15). The Company now has the required number of directors. As a result, no further recommendation is considered necessary for purposes of this examination.

2. Oath of Office

The Company was not able to locate and provide Oath of Office statements for two (2) of its directors that were elected in the years 2011 and 2012.

It is recommended the Company provide Oath of Office statements for all directors pursuant to the provisions of IC 27-1-7-10(i) which requires directors to sign an Oath of Office statement when elected.

3. Shareholder Meeting Minutes

The Company was not able to locate and provide the Shareholder Annual meeting minutes for 2011 and 2012.

It is recommended the Company keep complete minutes of the proceedings of its Shareholder meetings as required by IC 27-1-7-16 in order to document the Company's compliance with IC-27-1-7-7(b).

SUBSEQUENT EVENTS

Capital Contributions

In 2015, capital contributions totaling \$325,000,000 were received from the shareholders of the Company.

By-Laws Amendments

On October 12, 2015, the Board of Directors amended the Amended and Restated Code of By-Laws of the Company by replacing Article 5, Section 5.08 with a new section titled "Chief Executive Officer and President." The replacement describes the duties of the Chief Executive Officer and the President in

separate provisions.

On March 24, 2016, the Amended and Restated Code of By-Laws were amended in their entirety through the board's adoption of the Amended and Restated By-Laws.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

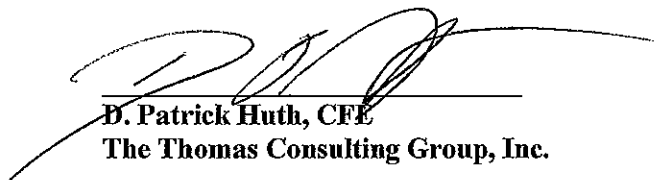
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc. and Actuarial Options, LLC, performed an examination of the **Forethought Life Insurance Company** as of **December 31, 2014**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2014 NAIC *Financial Condition Examiner's Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

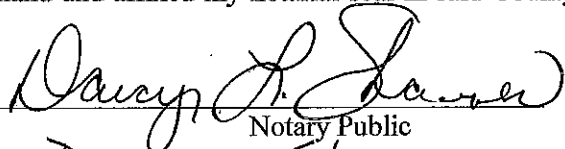
The attached report of examination is a true and complete report of condition of the **Forethought Life Insurance Company** as of **December 31, 2014**, as determined by the undersigned.


D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.

State of: Indiana
County of: Marion

On this 29th day of June, 2016, before me personally appeared, D. Patrick Huth, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires 9/8/2017. 
Notary Public
Darcy L. Shawver

