

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, Indiana 46204)

Examination of **Forethought Life Insurance Company**

NOTICE OF ENTRY OF ORDER

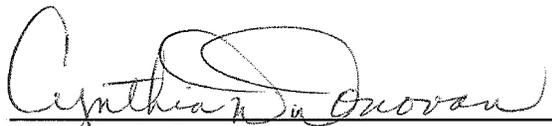
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Forethought Life Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on April 6, 2011, 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.

5/17/2011

Date



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8479

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300 North Meridian Street, Suite 1800)
Indianapolis, Indiana 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, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on February 24, 2011.

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 April 6, 2011 and was received by the Company on April 11, 2011.

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, 2009.
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 17th day of
May, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

FORETHOUGHT LIFE INSURANCE COMPANY

NAIC COMPANY CODE 91642

As of

December 31, 2009

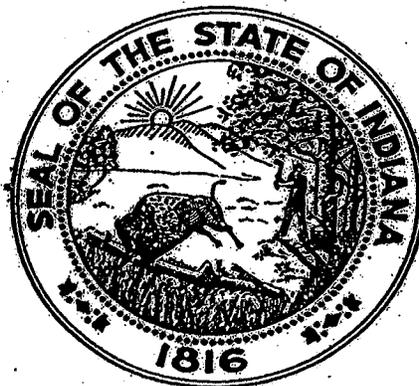


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

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

February 24, 2011

Honorable Joseph Torti, III, Chairman
Financial Condition (E) Committee, NAIC
Deputy Director and Superintendent of Insurance
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue
Cranston, Rhode Island 02920

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Secretary, Midwestern Zone
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3620, 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, stock, life and annuity insurance company hereinafter referred to as the "Company".
The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2009, 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
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
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SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2005. The present risk-focused examination was conducted by Huff, Thomas & Company (HuffThomas) and covered the period from January 1, 2006, through December 31, 2009, 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 IDOI, 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.

Jeffrey Beckley, FSA, MAAA, of Actuarial Options, LLC, a consulting actuary appointed by the IDOI, conducted a review of the Company's life reserves as of December 31, 2009.

This risk-focused examination was conducted in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Company's financial condition. Examination procedures included the verification and evaluation of assets, determination of liabilities and review of income and disbursement items, minutes, corporate documents, policy and claim files, and other records to the extent deemed necessary.

The comments and recommendations from the previous IDOI examination were reviewed. It was noted the Company has taken corrective action with respect to all prior recommendations.

HISTORY

The Company was incorporated 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, Forecorp, 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.

The Company is a wholly-owned subsidiary of Forethought National Life Insurance Company (FNLIC), a Texas domestic life insurer, which is a wholly-owned subsidiary of Forethought Financial Services, Inc. (FFS), formerly Forecorp, Inc., which is a wholly-owned subsidiary of Forethought Financial Group, Inc. (FFG), formerly FFS Holdings, Inc. FFG was formed in December 2003, by the Devlin Group, LLC for the purpose of acquiring FFS and its subsidiaries from Hillenbrand Industries, Inc. The acquisition was closed on July 1, 2004.

Prior to the examination date other affiliates of the Company included Forethought Life Assurance Company (FLAC), an Indiana domestic life insurer, Arkansas National Life Insurance Company (ANLIC), an Arkansas domestic life insurer, and Forethought Life Insurance Company of New York

(FLICNY). In order to streamline FFG's insurance operations and improve the Company's capital structure, ANLIC and FLAC were merged with and into the Company in 2007, and 2008, respectively. Then, on September 30, 2009, the Company sold its subsidiary, FLICNY, to an unrelated third party. In addition, during 2008, the Company divested itself of its Canadian book of business through an assumption reinsurance agreement with a third party reinsurer and closed its Canadian branch office in 2009.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had 2,000 authorized shares of common stock of which 1,000 were issued and outstanding. The Company's common stock has a par value of \$2,500 per share. All issued and outstanding shares were owned by FNLIC.

Gross Paid-In and Contributed Surplus

During the examination period the Company received the following surplus contributions from its parent:

<u>Year</u>	<u>Amount</u>
2006	\$ 30,000,000
2007	17,500,000
2008	62,500,000
2009	105,000,000

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends during the examination period:

<u>Year</u>	<u>Amount</u>
2006	\$ 103,171,955
2007	51,095,465
2008	82,500,000
2009	0

The dividends as shown above also include dividends paid by FLAC to FLAC Holdings, LLC prior to its merger with the Company effective October 6, 2008. All dividends were properly reported to the IDOI in accordance with the requirements of Indiana Code (IC) IC 27-1-23-1.5. In addition, the extraordinary dividend of \$82,500,000 paid by FLAC to FLAC Holdings, LLC in 2008, was approved by the IDOI on September 18, 2008, in accordance with IC 27-1-23-4. The extraordinary dividend was used by FLAC Holdings, LLC to pay off all of its outstanding debt of \$114 million.

TERRITORY AND PLAN OF OPERATION

The Company provides life insurance products for the purpose of managing retirement and end of life needs. Prior to the period covered by this examination the Company mainly provided pre-need products consisting of non-participating individual and group life insurance policies used to fund prearranged funerals. The pre-need policies are single premium whole life policies with a death benefit that generally increases at the discretion of the Company. In 2007, the Company began writing fixed equity-indexed annuities. The annuities are mostly single premium deferred annuities with premiums ranging from a minimum of \$25,000 to a maximum of \$1,000,000. The Company also offers a final expense product which is a whole-life insurance policy not tied to a guaranteed funeral plan.

The Company's pre-need product is primarily sold by funeral directors that are licensed independent agents who are part of the Forethought Funeral Planning Network, a national network of funeral homes. For the sale of its annuity business, the Company utilizes Independent Marketing Organizations (IMOs) located throughout the U.S. As of December 31, 2009, the Company was licensed in forty-nine (49) states, the District of Columbia, and Puerto Rico.

GROWTH OF THE COMPANY

Comparative financial data, as reported in the Company's filed Annual Statements for the period under examination, was as follows:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premium Income</u>	<u>Net Income</u>
2009	\$4,543,351,171	\$4,196,572,965	\$ 346,778,206	\$ 922,873,515	\$ 68,278,023
2008	3,870,189,824	3,680,472,655	189,717,169	776,360,918	(71,585,857)
2007	777,409,635	661,034,780	116,374,855	438,902,797	(204,945)
2006	462,268,473	352,540,008	109,728,465	355,977,552	7,591,003

The increase in Assets and Liabilities between 2006, and 2007, primarily resulted from the merger of the operations of ANLIC into and with the Company effective December 31, 2007. Similarly, the significant increase in Assets and Liabilities between 2007, and 2008, reflects the results of the Company's merger with FLAC that occurred effective October 6, 2008. Prior to the merger with FLAC, the Company ceded a majority of its pre-need business to FLAC under an intercompany indemnity reinsurance agreement. As a result of the merger the reinsurance agreement was terminated and the Company recaptured the ceded business. Immediately prior to the merger FLAC reported admitted assets of \$2.69 billion and liabilities of \$2.67 billion.

In 2008, the Company reported a net loss of \$71.6 million. The 2008, net loss resulted from an underwriting gain of \$9.1 million combined with a \$24.9 million loss on disposal of its Canadian operations and \$55.8 million of realized losses due to the impairment and sale of invested assets. The disposal of the Company's Canadian operations resulted in a net change in capital and surplus of \$6.6 million which is a combination of a \$24.9 million loss reflected in net income offset by a \$31.5 million change in unrealized foreign exchange capital losses.

A contributing factor to the premium income growth from 2007, to 2009, was the Company's entry into the fixed annuity market. For 2009, the Company's annuity business comprised approximately 62% of its premiums written while its combined pre-need and final expense business accounted for the remaining 38%.

The increase in Assets and Liabilities in 2009, mainly resulted from the continued growth in the Company's annuity products. The Company's favorable underwriting results and a capital contribution of \$105 million from FNLIC were the largest contributing factors to the increase in the 2009, Capital and Surplus.

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). The following is a listing of persons serving as Directors at December 31, 2009:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John A. Graf Houston, Texas	President and Chief Executive Officer Forethought Financial Group, Inc.
Ngairé E. Cuneo Naples, Florida	Executive Vice President Forethought Financial Services, Inc.
Mindy L. Lauber Dillsboro, Indiana	Chief Information Officer Forethought Financial Services, Inc.
Daniel R. Patterson Verona, Wisconsin	Chief Actuary Forethought Financial Services, Inc.
Eric D. Todd Indianapolis, Indiana	Chief Investment Officer and Chief Risk Officer Forethought Financial Services, Inc.

Officers

The Company's Amended and Restated Code of By-laws state the officers of the Company shall consist of a President, Secretary, and Treasurer and may, in addition, consist of one or more Vice Presidents, Assistant Secretaries or Assistant Treasurers. The Company's daily operations were primarily managed by the following key senior officers and their respective titles as of December 31, 2009:

<u>Name</u>	<u>Office</u>
John A. Graf	President, Chief Executive Officer
Ngaire E. Cuneo	Executive Vice President, Special Projects
David W. Entrekin	Executive Vice President, Chief Financial Officer
Mary L. Cavanaugh	Executive Vice President, General Counsel and Secretary
Joseph P. Girgenti	Executive Vice President, Operations and Marketing
Arthur W. Pickering	Executive Vice President, Chief Marketing Officer
Eric D. Todd	Executive Vice President, Chief Investment Officer
Craig A. Anderson	Senior Vice President, Controller
Daniel R. Patterson	Senior Vice President, Chief Actuary
Kenneth J. Bohrer	Senior Vice President, Treasurer
Michael H. Ebmeier	Senior Vice President, Marketing
Mark J. Guzniczak	Senior Vice President, Sales
Michael P. Kilkenny	Senior Vice President, Government Relations
Melinda L. Lauber	Senior Vice President, Chief Information Officer
David K. Mullen	Senior Vice President, Associate General Counsel
Stephen J. Bontell	Senior Vice President, Marketing
Antonio Torres	Senior Vice President

Please refer to the subsequent events section for information related to certain changes in officers that occurred subsequent to the period covered by this examination.

Corporate Governance

It was determined the Board of Directors reviews financial statements and approves all significant Company business including investment transactions. In addition to the Board's involvement with managing the Company, the FFG Audit Committee also provides oversight to certain financial areas of the Company's operations. From a review of the FFG Audit Committee minutes, it was determined the committee was operating in accordance with its purpose as established by the FFG Board resolution of July 12, 2007. It was also determined that the FFG Audit Committee was appropriately staffed with financially literate and independent Directors.

Based on a review of the information contained in each of the Directors and Executive Officer's biographical affidavits and through management interviews, it was determined that these individuals are adequately qualified and have the experience necessary to conduct the operations and affairs of the Company.

Overall, the Company's corporate governance structure was determined to be effective. Policies and strategies as designed and implemented by the Board and management are effectively communicated throughout the Company. In addition, it was determined the Board and key executives set an appropriate "tone at the top" with a clear commitment to set ethical behavior throughout the Company.

CONFLICT OF INTEREST

Directors, officers and certain employees are required to complete a questionnaire which discloses conflicts of interest. It was determined that all Directors and officers serving during the examination period completed the required conflict of interest questionnaire.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates 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. It was noted during the examination the Board members did subscribe to an Oath of Office.

CORPORATE RECORDS

Articles of Incorporation

Article I of the Company's Articles of Incorporation was amended on March 5, 2008, for the purpose of establishing the address of its principal office and to identify its resident Agent. The amended articles were filed with the IDOI on April 1, 2008.

Bylaws

The Company's Code of By-laws were amended in their entirety in August 2007.

Minutes

The Board of Directors meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted that the annual meetings and other regular board meetings were held in accordance with the Company's Code of By-laws.

AFFILIATED COMPANIES

Organizational Structure

The Holding Company Registration statement filed with the IDOI identifies FFG as the ultimate controlling entity. The common voting and non-voting shares of FFG are owned by individual and institutional investors. As of the date of this examination all investors who held voting shares in excess of ten percent (10%) of the total outstanding voting shares of FFG filed Disclaimers of Control with the IDOI. None of the FFG investors were determined to control FFG under the provisions of IC 27-1-23-1(a) and as used in IC 27-1-23-2 as a result of their respective investments in FFG. The organization chart section shows the Company's relationship to other FFG entities.

Affiliated Agreements

As of December 31, 2009, the Company operated under the following intercompany agreements which have been filed with the IDOI:

Cost Allocation and Shared Services Agreement

The Company entered into an Amended and Restated Cost Allocation and Shared Services Agreement between the Company, FFS and other affiliated companies effective September 30, 2007. This agreement was filed with the IDOI pursuant to a Form D filing dated October 7, 2007, and subsequently not disapproved by the IDOI on November 20, 2007. Pursuant to the terms of the agreement, in consideration of any services or facilities provided, each recipient company agrees to pay of actual costs incurred. The Company incurred expenses of \$52,227,756 in 2009.

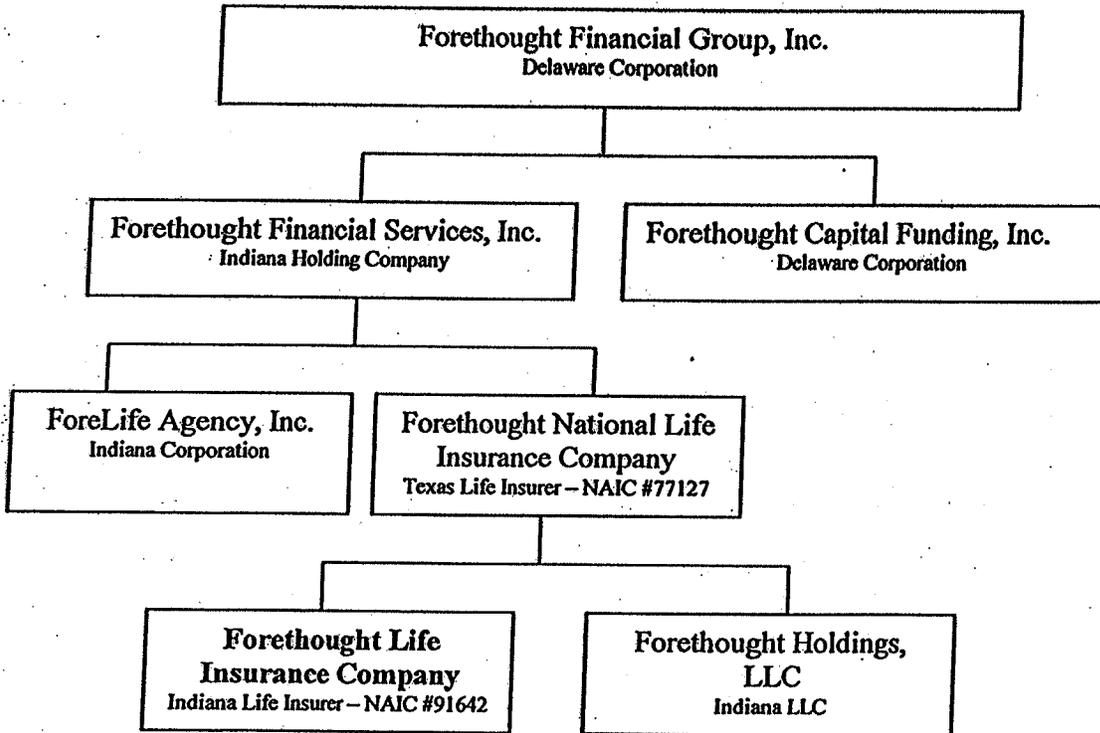
Business Administration Agreement

The Company is party to a Business Administration Agreement with FNLIC, effective July 1, 2004. This agreement was filed with the IDOI pursuant to a Form D filing approved November 18, 2008.

Tax Sharing Agreement

The Company files a federal tax return as part of a consolidated tax group with its parent company, FNLIC. The Company is required to pay to FNLIC its federal tax liability computed on a separate company basis using the same methods and elections used with determining the group's tax liability. In addition, the Company will be reimbursed in each year to the extent that the use of the Company's operating loss deduction or credit, or operating loss deduction or credit carryover, results in either a reduction in the group's tax for a consolidated return year or a refund obtained by the parent with respect to any given consolidated return year.

Organizational Chart



FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond. The Company is insured for losses up to \$5,000,000 with a \$250,000 deductible. The fidelity bond coverage limit was adequate to meet the prescribed minimum coverage specified by the NAIC.

Other significant insurance coverages in force at December 31, 2009, included General Liability, Umbrella Liability, Employment Practices Liability, Errors and Omissions Liability, Property and Directors & Officers Liability. All other coverages were determined to be adequate as of December 31, 2009.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following special deposits with various states as of December 31, 2009:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders:		
Indiana	\$6,664,507	\$6,906,607
All Other Special Deposits:		
Arkansas	774,993	806,917
Florida	249,427	273,760
Georgia	75,316	76,168
Massachusetts	199,998	200,214
New Mexico	239,057	261,374
North Carolina	914,755	995,955
South Carolina	280,534	310,916
Virginia	224,998	225,241
Puerto Rico	783,257	820,320
Total Deposits	<u>\$10,406,842</u>	<u>\$10,877,472</u>

REINSURANCE

Reinsurance Assumed

Effective November 1, 2005, the Company entered into a coinsurance agreement with Union Security Life Insurance Company (USIC). Under the terms of this agreement USIC cedes 100% of its liabilities for its pre-need policies written for the period November 1, 2005, through October 30, 2006. During 2009, the Company assumed premiums of \$2,122,886 and recorded assumed reserve credits of \$48,151,050.

Reinsurance Ceded

As of December 31, 2009, the Company only had one ceded reinsurance agreement in effect. This coinsurance agreement was entered into between the Company and Family Liberty Life Insurance Company (FLLIC) on November 4, 1999. The agreement reinsures all of the Company's pre-need business sold through Texarkana Funeral Home, Inc. The coinsurance agreement was terminated effective as of May 8, 2009, with respect to new business issued by the Company after this date. During 2009, the Company only ceded \$201,414 of premiums and reported \$2,577,607 of reinsurance credits under this agreement. The agreement was terminated through an assumption reinsurance agreement with FLLIC subsequent to the period covered by this examination. Please refer to the subsequent events section of this report of examination for further commentary.

As a result of the merger between the Company and FLAC that occurred in 2008, the Indemnity Reinsurance Agreement dated July 1, 2004, between these two companies was terminated and the

Company recaptured the business previously ceded under this agreement.

The Company entered into an assumption reinsurance agreement with a non-affiliated third party effective December 31, 2008, for the purpose of ceding all of its Canadian reserves. The Company ceded reserves and invested assets of approximately \$68 million and received a ceding commission of \$4 million.

RESERVES

Daniel R. Patterson, FSA, MAAA, was the Company's Appointed Actuary as of December 31, 2009. Mr. Patterson was appointed by the Board of Directors on September 30, 2007, to render an opinion on the statutory-basis loss reserves of the Company. Mr. Patterson provided the Company's actuarial opinion for the years 2007, 2008, and 2009. Don N. Patterson, FSA, MAAA, provided the actuarial opinion for 2006.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials. 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 2009 opinion stated the balances of reserves 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 contract provision as to reserve basis and method, and are in accordance with all other contract provisions 3) meet the requirements of the insurance law and regulations of the state of Indiana and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed 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 provision for all actuarial reserves and related statement items which ought to be established.

During the examination, it was determined by the IDOI consulting actuary, Jeff Beckley, FSA, MAAA, the significant actuarial items in the Company's 2009 Annual Statement are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the IDOI.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balance prepared from the Company's general ledger for the year ended December 31, 2009, was agreed to the 2009 Annual Statement without exception. The Annual Statement for the years ended December 31, 2006, through December 31, 2009, were agreed to each year's independent audit report with no exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2009

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 4,194,164,545	\$ -	\$ 4,194,164,545	\$ 3,499,567,355
Preferred stocks	-	-	-	48,562,435
Common stocks	21,767	-	21,767	6,165,970
Mortgage loans	101,440,313	-	101,440,313	104,750,596
Real estate - properties owned by Company	4,166,653	-	4,166,653	4,365,713
Cash (\$1,622,656), cash equivalents \$0 and short-term investments \$91,434,735	89,812,079	-	89,812,079	72,869,411
Contract loans	4,085,737	-	4,085,737	4,012,854
Other invested assets	13,680,007	-	13,680,007	11,713,965
Receivables for securities	484,086	-	484,086	131,218
Aggregate write-ins for invested assets	31,956,077	-	31,956,077	4,965,887
Subtotals, cash and invested assets	\$ 4,439,811,264	\$ -	\$ 4,439,811,264	\$ 3,757,105,405
Investment income due and accrued	54,357,447	-	54,357,447	39,860,434
Uncollected premiums and agents' balances in the course of collection	754,611	-	754,611	822,757
Deferred premiums, agents' balances and installments booked but deferred and not yet due	24,913,632	-	24,913,632	24,900,126
Current federal and foreign income tax recoverable and interest thereon	10,571,740	-	10,571,740	23,553,752
Net deferred tax asset	12,632,049	-	12,632,049	23,913,698
Guaranty funds receivable or on deposit	310,428	-	310,428	33,650
Total Assets	\$ 4,543,351,171	\$ -	\$ 4,543,351,171	\$ 3,870,189,824

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2009

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Aggregate reserve for life contracts	\$ 4,081,461,212	\$ -	\$ 4,081,461,212	\$ 3,602,045,527
Contract Claims - Life	3,782,482	-	3,782,482	3,847,436
Premiums and annuity considerations for life contracts received in advance	187,786	-	187,786	368,842
Contract liabilities not included elsewhere:				
Other amounts payable on reinsurance	400,455	-	400,455	372,641
Interest Maintenance Reserve	64,344,533	-	64,344,533	43,919,486
Commissions to agents due or accrued - life and annuity contracts	3,816,742	-	3,816,742	3,649,137
General expenses due and accrued	503,901	-	503,901	1,875,546
Taxes, licenses, and fees due or accrued	150,770	-	150,770	(147,939)
Amounts withheld or retained by the company as agent or trustee	1,037,289	-	1,037,289	1,001,238
Remittances and items not allocated	16,022,340	-	16,022,340	9,743,425
Asset valuation reserve	16,158,863	-	16,158,863	12,081,934
Payable to parent, subsidiaries and affiliates	8,706,592	-	8,706,592	1,715,382
Total Liabilities	\$ 4,196,572,965	\$ -	\$ 4,196,572,965	\$ 3,680,472,653
Common capital stock	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000
Gross paid in & contributed surplus	325,553,430	-	325,553,430	220,553,430
Aggregate write-ins for special surplus funds	2,946,674	-	2,946,674	-
Unassigned funds (surplus)	15,778,102	-	15,778,102	(33,336,260)
Surplus	344,278,206	-	344,278,206	187,217,170
Capital and surplus, December 31, current year	\$ 346,778,206	\$ -	\$ 346,778,206	\$ 189,717,170
Total liabilities, capital and surplus	\$ 4,543,351,171	\$ -	\$ 4,543,351,171	\$ 3,870,189,824

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

As of December 31, 2009

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 922,873,515	\$ -	\$ 922,873,515	\$ 776,360,918
Net investment income	234,394,947	-	234,394,947	182,425,302
Amortization of interest maintenance reserve	8,539,243	-	8,539,243	7,154,736
Commissions and expense allowances on reinsurance ceded	(8,135)	-	(8,135)	4,034,343
Aggregate write-ins for miscellaneous income	739,592	-	739,592	(38,889,010)
Total	\$ 1,166,539,162	\$ -	\$ 1,166,539,162	\$ 931,086,289
Death benefits	\$ 372,398,786	\$ -	\$ 372,398,786	\$ 398,702,428
Annuity benefits	14,932,558	-	14,932,558	5,158,154
Surrender benefits and withdrawals for life contracts	38,773,611	-	38,773,611	12,931,765
Interest and adjustments on contracts or deposit-type contract funds	130,646	-	130,646	106,666
Increase in aggregate reserves for life and A&H contracts	479,415,685	-	479,415,685	377,637,031
Totals	\$ 905,651,286	\$ -	\$ 905,651,286	\$ 794,536,044
Commissions on premiums, annuity considerations, and deposit type contract funds	113,469,874	-	113,469,874	106,410,165
Commissions and expense allowances on reinsurance assumed	188,243	-	188,243	697,517
General insurance expenses	48,579,572	-	48,579,572	39,688,686
Insurance taxes, licenses and fees, excluding federal income taxes	8,855,154	-	8,855,154	8,499,543
Increase in loading on deferred and uncollected premiums	(761,498)	-	(761,498)	1,353,718
Totals	\$ 1,075,982,631	\$ -	\$ 1,075,982,631	\$ 951,185,674
Net gain from operations before dividends to policyholders and federal income taxes	\$ 90,556,531	\$ -	\$ 90,556,531	\$ (20,099,384)
Dividends to policyholders	-	-	-	-
Net gain from operations after dividends to policyholders and before federal and foreign income taxes incurred	\$ 90,556,531	\$ -	\$ 90,556,531	\$ (20,099,384)
Federal and foreign income taxes incurred	30,291,335	-	30,291,335	(4,332,862)
Net gain from operations after dividends to policyholders and federal income taxes and before realized gains or (losses)	\$ 60,265,196	\$ -	\$ 60,265,196	\$ (15,766,522)
Net realized capital gains (losses) less capital gains tax	8,012,827	-	8,012,827	(55,819,335)
Net income	\$ 68,278,023	\$ -	\$ 68,278,023	\$ (71,585,857)

FORETHOUGHT LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

As of December 31, 2009

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Capital and Surplus Account:				
Capital and surplus, December 31, prior year	\$ 189,717,169	\$ -	\$ 189,717,169	\$ 226,836,915
Net income	\$ 68,278,023	\$ -	\$ 68,278,023	\$ (71,585,857)
Change in net unrealized capital gains (losses)	(626,117)	-	(626,117)	5,812,066
Change in net unrealized foreign exchange capital gain	40,860	-	40,860	25,184,381
Change in net deferred income tax	(11,549,729)	-	(11,549,729)	21,044,157
Change in nonadmitted assets	(5,070)	-	(5,070)	2,940,516
Change in asset valuation reserve	(4,076,930)	-	(4,076,930)	(515,009)
Surplus adjustment:				
Paid-in	105,000,000	-	105,000,000	62,500,000
Dividends to stockholders	-	-	-	(82,500,000)
Net change in capital and surplus for the year	\$ 157,061,037	\$ -	\$ 157,061,037	\$ (37,119,746)
Capital and surplus, December 31, current year	\$ 346,778,206	\$ -	\$ 346,778,206	\$ 189,717,169

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2009, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no significant findings made as a result of this examination. In addition, the Company has complied with the comments made in the prior report of examination.

SUBSEQUENT EVENTS

Medicare Supplement Business

The Company began writing Medicare Supplement insurance in December of 2010. The Company's Medicare Supplement business is sold through a non-affiliated producer under the terms of a Supervising General Agency Agreement and administered by a separate Third Party Administrator. The Medicare Supplement business is reinsured under a Coinsurance Basis Reinsurance Agreement with Mutual of Omaha Insurance Company. Under the terms of the reinsurance agreement, the Company cedes 95% of the subject business to Mutual of Omaha Insurance Company. In addition, the reinsurance agreement provides for stop loss coverage on the Company's retained portion of the coinsured business. The reinsurance agreement has an effective date of October 1, 2010.

Executive Officer Changes

Subsequent to the examination date and prior to the completion of fieldwork there were several changes to the Company's executive officers. In December of 2010, the Company hired Michael Reardon for the position of CFO. The former CFO, David Entekin, will become the Company's Executive Vice President of Corporate Finance. In addition, Ngaire Cuneo, Executive Vice President, Special Projects, and Arthur Pickering, Executive Vice President and Chief Marketing Officer, retired. Ms. Cuneo and Mr. Pickering still maintain consulting relationships with the Company. The Company also hired Ronald Ziegler as its Chief Actuary in 2010.

Assumption Reinsurance Agreement

The Company entered into an Assumption Reinsurance Agreement with Family Liberty Life Insurance Company (FLLIC) effective April 1, 2010. In accordance with the terms of this assumption reinsurance agreement, FLLIC assumed all of the liabilities for the certificates reinsured under the Coinsurance Agreement dated November 4, 1999. The IDOI approved the Assumption Reinsurance Agreement on August 6, 2010.

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 IDOI.

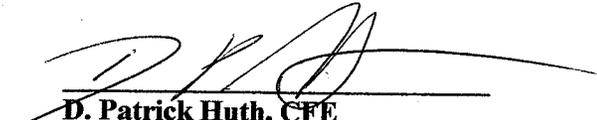
AFFIDAVIT

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 Huff, Thomas & Company, hereinafter collectively referred to as the "Examiners" performed an examination of the **Forethought Life Insurance Company, as of December 31, 2009.**

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 2010 NAIC Financial Condition Examiners 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.

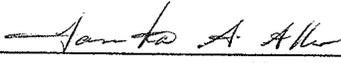
The attached report of examination is a true and complete report of condition of the **Forethought Life Insurance Company, as of December 31, 2009**, as determined by the undersigned.


D. Patrick Huth, CFE
Huff, Thomas & Company

State of:
County of:

On this 25th day of February, 2011, 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 February 17 2013 
Notary Public

