



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

**MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**FORETHOUGHT LIFE INSURANCE COMPANY**

**AS OF**

**January 13, 2011**

**NAIC COMPANY CODE: 91642**

**NAIC GROUP CODE: 1266**

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## EXECUTIVE SUMMARY

In June 2006, the Florida Legislature enacted the Freedom to Travel Act, which modified Florida's Unfair Trade Practices Act by placing prohibitions on life insurance limitations upon an individual based solely on the individual's past lawful foreign travel or future lawful travel plans. The Florida Unfair Trade Practices Act also prohibits the refusal to insure, or continue to insure, based on the individual's race, color, creed, marital status, sex, or national origin.

Rule 69D-2 Florida Administrative Code became effective in October 2006 to implement the provisions of Section 626.9891, Florida Statutes. This rule requires a higher level of detail and accountability for Insurer Anti-Fraud Special Investigative Unit (SIU) Description filings and Insurer Anti-Fraud Plan filings.

A target market conduct examination of Forethought Life Insurance Company was performed to determine compliance with Section 626.9541(1)(dd) and Section 626.9891, Florida Statutes and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

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

<b><u>TABLE OF TOTAL VIOLATIONS</u></b>			
Statute/Rule	Description	Files Reviewed	Number of Violations
626.9891 F.S. and Rule 69D-2, FAC.	The Company did not fully implement an Anti-Fraud Program in accordance with the filed Special Investigative Unit Description or Insurer Anti-Fraud Plan with the Division of Insurance Fraud	N/A	1

## PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Forethought Life Insurance Company pursuant to Section 624.3161, Florida Statutes. The examination was performed by Examination Resources, LLC. The scope period of this examination was July 1, 2007 through June 30, 2010. The onsite examination began January 3, 2011 and ended January 13, 2011.

The purpose of this examination was to review compliance with Sections 626.9541(1)(dd) and 626.9891, Florida Statutes and Rules 69O-125.003 and 69D-2, Florida Administrative Code.

The examination included the following procedures:

- Review policy applications to determine if applications were denied, issued in a manner other than applied for, had benefit changes or canceled solely on the individual's past lawful foreign travel experiences, or future lawful foreign travel plans, and compliance with Section 626.9541(1)(dd), Florida Statutes and Rule 69O-125.003, Florida Administration Code.
- Review Anti-Fraud Plan to ensure it has been filed and implemented as required by Rule 69D-2 Florida Administrative Code and Section 626.9891, Florida Statutes.

This Final Report is based upon information from the examiner's draft report, research conducted by the Office, and additional information provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

### **COMPANY OPERATIONS**

Forethought Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on October 23, 1985. The Company provides life, group life and annuities coverage in the state of Florida.

Total Direct Premiums Written in Florida for Life Insurance was as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2007	8,592,276
2008	8,079,895
2009	6,782,666

### **LIFE APPLICATION REVIEW**

#### **I. FILE REVIEW**

The examiners reviewed information contained in the Company's individual life and group life underwriting files, which could have included but was not limited to the application, field underwriting guidelines, telephone interviews, questionnaires, underwriting notes, correspondence with agents and consumers, medical records, financial information, and the Company's Agent's training materials.

The Company did not use applications that contained travel related questions and did not use travel questionnaires.

The Company received 6,003 applications for life insurance coverage during the scope period.

**Declinations:**

The examiners reviewed all 201 applications that were declined by the Company. There were no violations found.

**Policies Issued With Limitations:**

The examiners reviewed all 1,941 policies that were issued with limitations, issued other than applied for or not issued in the best rating tier in which the applicant qualified for. There were no violations found.

**Policy Benefit Change:**

All policy benefit changes that required an underwriting review were subject to the review. There were no policy benefit changes during the scope period subject for review.

**Canceled Policies:**

The examiners reviewed all 248 cancelled policies. These included any policies cancelled for underwriting reasons or applications that were withdrawn, incomplete or not taken. There were no violations found.

**II. COMPLETENESS AND ACCURACY TEST**

The purpose of this review was to determine if any policy that was not subject to the review was completely and accurately reported in the data files provided by the Company.

A sample of 115 applications submitted during the scope of the examination were reviewed to verify that declinations, applications issued in a manner other than applied for, benefit changes, and cancelations were included on the respective listings provided by the Company. No violations were found.

**ANTI-FRAUD PLAN REVIEW**

The Company has submitted a description of its SIU in form DFS-L1-1689 as required by Rule 69D-2.003, Florida Administrative Code.

The Company has not fully implemented its Anti-Fraud Plan as required by Section 626.9891, Florida Statutes and Rule 69D-2.003, Florida Administrative Code.

There was 1 violation found.

1. In 1 instance the Company failed to fully implement its Anti-Fraud Plan in violation of Section 626.9891, Florida Statutes and Rule 69D-2.003, Florida Administrative Code. The review showed a lack of formal training to its staff as outlined in the Anti-Fraud Plan.
  - 1a. **Corrective Action:** The Company should establish procedures to ensure full implementation of the Company's Anti-Fraud Plan and that implementation fully complies with the requirements of Section 626.9891, Florida Statutes and Rule 69D-2.001-005, Florida Administrative Code.
  - 1b. **Company Response:** The Company agreed with the findings and stated that it will implement procedures to ensure compliance with the requirements.

### **EXAMINATION FINAL REPORT SUBMISSION**

The Office hereby issues this Final Report based on information from the examiner's draft report, additional research conducted by the Office, and additional information provided by the Company.