

**[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE (CIC) SECTION 12938,
THIS REPORT WILL BE MADE PUBLIC AND PUBLISHED ON THE
CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]**

**WEBSITE PUBLISHED REPORT OF THE MARKET CONDUCT
EXAMINATION OF THE CLAIMS PRACTICES OF**

**FORETHOUGHT LIFE INSURANCE COMPANY
NAIC # 91642 CDI # 2936-3**

AS OF SEPTEMBER 30, 2013

ADOPTED June 17, 2014

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION
FIELD CLAIMS BUREAU**

NOTICE

The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.

TABLE OF CONTENTS

SALUTATION	1
FOREWORD.....	2
SCOPE OF THE EXAMINATION.....	3
EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED.....	4
RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, AND PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS	5
DETAILS OF THE CURRENT EXAMINATION	6
TABLE OF TOTAL CITATIONS	7
TABLE OF CITATIONS BY LINE OF BUSINESS.....	8
SUMMARY OF EXAMINATION RESULTS	9

DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
300 South Spring Street
Los Angeles, CA 90013



June 17, 2014

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, California 95814

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims handling practices and procedures in California of:

Forethought Life Insurance Company

NAIC # 91642

Group NAIC # 1266

Hereinafter, the Company listed above also will be referred to as FLIC or the Company.

This report is made available for public inspection and is published on the California Department of Insurance website (www.insurance.ca.gov) pursuant to California Insurance Code section 12938(b)(1).

FOREWORD

The examination covered the claims handling practices of the aforementioned Company on life claims closed during the period from October 1, 2012 through September 30, 2013. The examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains all alleged violations of laws that were identified during the course of the examination.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer’s proposals for correcting the deficiencies. When a violation that reflects an underpayment to the claimant is discovered and the insurer corrects the underpayment, the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Company responses, if any, have not undergone a formal administrative or judicial process.

SCOPE OF THE EXAMINATION

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of the California Insurance Code, Fair Claims Settlement Practices Regulations, and other related statutes, regulations and case law used by the Company to ensure fair claims settlement practices.

2. A review of the application of such guidelines, procedures, and forms, by means of an examination of a sample of individual claims files and related records.

3. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about the Company closed by the CDI during the period October 1, 2012 through September 30, 2013; and a review of previous CDI market conduct claims examination reports on the Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claims files was conducted at the offices of California Department of Insurance in Los Angeles, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The life claims reviewed were closed from October 1, 2012 through September 30, 2013, referred to as the “review period”. The examiners randomly selected 70 FLIC claims files for examination. The examiners cited 12 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included a failure to notify the beneficiary of the specified rate of interest paid on the death benefit; and a failure to pay interest on a claim that remained unpaid longer than 30 days from the date of death.

RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, AND PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS

Except as noted below, market analysis did not identify any specific issues of concern.

There was no specific area of concern identified in the complaint review.

The previous claims examination reviewed a period from August 1, 2007 through July 31, 2008. The most significant noncompliance issue identified in the previous examination report was failure to pay interest on a claim that remained unpaid longer than 30 days from the date of death. This issue was also identified in the current examination.

DETAILS OF THE CURRENT EXAMINATION

Further details with respect to the examination and alleged violations are provided in the following tables and summaries:

FLIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED CITATIONS
Life / Individual Life (Pre-need)	12,481	70	12
TOTALS	12,481	70	12

TABLE OF TOTAL CITATIONS

Citation	Description of Allegation	FLIC Number of Alleged Citations
CIC §10172.5(c) *[CIC §790.03(h)(3)]	The Company failed to notify the beneficiary of the specified rate of interest paid on the death benefit.	9
CIC §10172.5(a) [CIC §790.03(h)(5)]	The Company failed to pay interest on a claim that remained unpaid longer than 30 days from the date of death.	2
CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within 15 calendar days.	1
Total Number of Citations		12

*DESCRIPTONS OF APPLICABLE UNFAIR CLAIMS SETTLEMENT PRACTICES

- | | |
|-------------------|--|
| CIC §790.03(h)(2) | The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. |
| CIC §790.03(h)(3) | The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. |
| CIC §790.03(h)(5) | The Company failed to effectuate prompt, fair, and equitable settlements of claims in which liability had become reasonably clear. |

TABLE OF CITATIONS BY LINE OF BUSINESS

LIFE 2012 Written Premium: \$601,469,402 AMOUNT OF RECOVERIES \$165.93	NUMBER OF CITATIONS
CIC §10172.5(c) [CIC §790.03(h)(3)]	9
CIC §10172.5(a) [CIC §790.03(h)(5)]	2
CCR §2695.5(e)(1)[CIC §790.03(h)(2)]	1
TOTAL	12

SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report.

In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Company is obligated to ensure that compliance is achieved.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Company was asked if it intends to take appropriate corrective action in all jurisdictions where applicable. The Company intends to implement corrective actions in all jurisdictions.

Money recovered within the scope of this report was \$165.93 as described in section number two below.

LIFE

1. **In nine instances, the Company failed to notify the beneficiary of the specified rate of interest paid on the death benefit.** In each instance, the Company did not specify the rate of interest applied on settlement proceeds with statutory interest payments. The Department alleges these acts are in violation of CIC §10172.5(c) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: The Company agrees with the Department's findings. As a result of the examination, the Company revised its explanation of benefit (EOB) template letter to include the specific interest rate as required by statute.

2. **In two instances, the Company failed to pay interest on a claim that remained unpaid longer than 30 days from the date of death.** In the first instance, the Company paid the death benefit 423 days after the date of death. In the second instance, the Company paid the death benefit 33 days after the date of death. Both benefit payments failed to include statutory interest. The Department alleges these acts are in violation of CIC §10172.5(a) and are unfair practices under CIC §790.03(h)(5).

Summary of the Company's Response: The Company agrees with the Department's findings. The Company states that these were isolated instances of non-compliance and has addressed the issue with pertinent staff. As a result of the examination, the Company reopened the claims and issued additional payments of \$162.10 and \$3.83 respectively to the beneficiaries. The Company will reinforce the need for compliance with this requirement to its staff.

3. In one instance, the Company failed to acknowledge notice of claim within 15 calendar days. The claim was reported to the Company on September 20, 2012. The Company failed to acknowledge the claim until payment was issued on October 8, 2012. The Department alleges this act is in violation of CCR §2695.5(e)(1) and is an unfair practice under CIC §790.03(h)(2).

Summary of the Company's Response: The Company agrees with the Department's finding. The Company states this is an isolated instance of non-compliance and has addressed the issue with pertinent staff.