

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Great American Life Insurance Company

NAIC #63312
301 East Fourth Street
Cincinnati, OH, USA 45202

As of

December 31, 2016

Trinidad Navarro
Commissioner



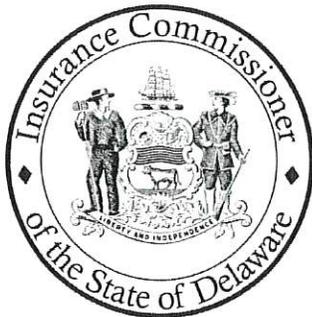
Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2016 on

Great American Life Insurance Company

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

Attest By: 



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 15th day of June, 2018.



Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Great American Life Insurance Company
AS OF
December 31, 2016

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

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

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



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 15th day of June, 2018.



Trinidad Navarro
Insurance Commissioner

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The Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority Number 63312-ANN-16-595, and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

Great American Life Insurance Company

The examination was performed as of December 31, 2016.

The examination was performed off-site at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

According to the 2016 Annual Statement for the State of Delaware Great American Life Insurance Company reported direct business life insurance premiums in the amount of \$100,777 and annuity considerations in the amount of \$32,414,751.

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

All the exceptions noted were in the category of Underwriting and Rating.

The following exceptions were noted:

- 1 Exception: Individual Fixed Annuities - Replacements
18 *Del. Admin. C.* §1204 5.2.1 Duties of Agents and Brokers
Where replacement is involved, the agent or broker shall:
5.2.1 *Present to the applicant, not later than at the time of taking the application, a "Notice Regarding Replacement" (Delaware Insurance Form R, attached as Exhibit A), or other substantially similar form approved by the Commissioner. The notice shall be signed by both the applicant and the agent or broker and a copy left with the applicant.*

Failure to provide proof that the notice regarding replacement was presented to the applicant no later than at the time of taking the application.

- 1 Exception: Individual Fixed Annuities - Replacements
18 *Del. C.* § 1715. Appointments.
(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.
(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.
(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined

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Great American Life Insurance Company**

to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

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

Accepting an application for insurance from a producer not duly appointed by the Company within 15 days of receipt of the application.

- 1 Exception: Individual Fixed Annuities - Replacements

18 Del. C. § 2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

Using a contract form that had not been filed with the Delaware Department of Insurance.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§ 318-322 and covered the experience period of January 1, 2014, through December 31, 2016, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Delaware annuity, suitability, replacement, and surrender laws and regulations related to the sales and marketing of individual cash value life insurance, individual fixed annuities, and individual variable annuities.

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

METHODOLOGY

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

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

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

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

COMPANY HISTORY AND PROFILE

Great American Life Insurance Company (“GALIC”) was incorporated in New Jersey on December 15, 1959 as a wholly-owned subsidiary of Great American Insurance Company. On April 1, 1982, GALIC was merged into FN Life Insurance Company, an Ohio life insurance company, and FN Life Insurance Company changed its name to Great American Life Insurance Company. FN Life Insurance Company was incorporated in Ohio on December 19, 1961 as a wholly-owned subsidiary of Great American Insurance Company. The original name of the corporation was The Fidelity National Life Insurance Company, which was changed to FN Life Insurance Company on January 24, 1980.

On December 31, 1992, STI Group, Inc. acquired GALIC from Great American Insurance Company. Subsequently, STI Group, Inc. changed its name to American Annuity Group, Inc. (AAG). In 2001, AAG changed its name to Great American Financial Resources, Inc. (“GAFRI”). On November 1, 1996, ownership of GALIC was transferred to AAG Holding Company, Inc., a wholly-owned subsidiary of GARFI. Ultimate control of GALIC continues to remain with, American Financial Group, through its 100% ownership of GAFRI.

GALIC’s headquarters and administrative offices are located in Cincinnati, Ohio. GALIC offers a variety of traditional fixed and fixed-indexed annuities in the education, financial institution and retail market through a distribution system of independent licensed agents and registered representatives. In addition, GALIC also services closed blocks of life insurance business.

According to the 2016 Annual Statement for the State of Delaware Great American Life Insurance Company reported direct business life insurance premiums in the amount of \$100,777 and annuity considerations in the amount of \$32,414,751.

COMPANY OPERATIONS AND MANAGEMENT

The examiners reviewed items provided by the Company pertaining to Company Operations and Management for each of the following categories:

- Company History and Profile
- Company Organization
- Internal Audit & Compliance
- Antifraud Program Compliance
- Managing General Agents (MGAs), General Agents (GAs), and Third-Party Administrators (TPAs)
- Company Records and Records Retention Policies and Procedures
- A statement that the Company's records are adequate, accessible, consistent and orderly, and comply with Delaware record retention requirements.
- Copies of Annual Reports for 2014, 2015, and 2016

The documents were reviewed to determine compliance with Delaware Laws and Regulations and NAIC Standards.

No exceptions were noted.

COMPLAINTS HANDLING

The Company reported no Delaware-related complaints during the exam period.

No exceptions were noted.

MARKETING AND SALES

The Company provided a list of 360 pieces of advertising materials utilized in Delaware during the examination period. The advertising materials may have included: Letters, Direct Mailers, Brochures, Presentations, Radio and Television Scripts, Cards, Illustrations, Product Guides, Product Manuals, and the Company's Web Page. A sample of 79 pieces of advertising materials was requested, received and reviewed. The advertising materials were reviewed to ascertain compliance with 18 *Del. C.* § 2303 - Unfair Methods of Competition and Unfair or Deceptive Acts or Practices and 18 *Del. C.* § 2304 - Unfair methods of competition and unfair or deceptive acts or practices defined.

No exceptions were noted.

PRODUCER LICENSING

The Company provided a list of 433 producers appointed or authorized to conduct business in Delaware at any time during the examination period of January 1, 2014 through December 31, 2016. A random sample of 84 was selected and compared to producers on record with the Delaware Department of Insurance to verify compliance with Delaware licensing and appointment statuses and regulations.

No exceptions were noted.

POLICYHOLDER SERVICES

A) Individual Cash Value Life Policies Surrendered

The Company provided a list of policies surrendered during the experience period. The Company identified a universe of one (1) life insurance policy surrendered. The file was requested, received, and reviewed to ensure compliance with contract provisions, surrender laws and regulations, and proper processing of any cash value.

No exceptions were noted.

B) Individual Fixed Annuity Contracts Surrendered

The Company provided a list of fixed annuity policies surrendered during the experience period. The Company identified a universe of 82 fixed annuity policies surrendered. A random sample of 50 fixed annuity policies was requested, received, and reviewed to determine compliance with contract provisions, Delaware surrender laws and regulations, and proper processing of any cash value.

No exceptions were noted.

UNDERWRITING AND RATING

A) Individual Fixed Annuities – New

The Company identified a universe of 582 fixed annuity contracts issued as new during the experience period. A random sample of 86 annuity contract files was requested, received, and reviewed. The files were reviewed to determine compliance with Delaware issuance and replacement statutes and regulations.

No exceptions were noted.

B) Individual Fixed Annuities - Replacements

The Company identified a universe of 514 fixed annuity contracts issued as replacements during the examination period. A random sample of 86 annuity contract files was requested, received, and reviewed. The files were reviewed to determine compliance with the Delaware issuance and replacement statutes and regulations.

The following exceptions were noted:

1 Exception - 18 Del. Admin. C. § 1204 5.2.1 Duties of Agents and Brokers.

Where replacement is involved, the agent or broker shall:

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

The "Notice Regarding Replacement" form was dated after the application date.

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

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

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

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

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

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

The agent listed on the policy application was not appointed by the Company within 15 days of policy issue.

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

1 Exception - 18 *Del. C.* § 2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

A policy form that had not been filed with the Delaware Department of Insurance was utilized.

Recommendation: It is recommended the Company ensure that all forms are filed with the Delaware Department of Insurance prior to use in accordance with 18 *Del. C.* §2712.

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CONCLUSION

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

1. It is recommended the Company ensure that the notice regarding replacement is presented to the applicant no later than the time of taking the application in accordance with 18 *Del. Admin. C.* §1204 5.2.1. (Underwriting and Rating – Individual Fixed Annuities - Replacements).
2. It is recommended the Company ensure that producers are properly appointed in accordance with 18 *Del. C.* § 1715. (Underwriting and Rating – Individual Fixed Annuities - Replacements).
3. It is recommended the Company ensure that all forms are filed with the Delaware Department of Insurance prior to use in accordance with 18 *Del. C.* § 2712 (Underwriting and Rating – Individual Fixed Annuities - Replacements).

The examination was conducted by Joseph Krug, Linda Armstrong, and Peter Salvatore. This report is respectfully submitted.



Linda Armstrong, JD, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance