OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT RE-EXAMINATION

OF

GREAT AMERICAN LIFE INSURANCE COMPANY

NAIC #63312

As Of

December 31, 2005

OHIO Department of INSURANCE

Bob Taft, Governor
Ann Womer Benjamin, Director

2100 Stella Court, Columbus, OH 43215-1067
(614) 644-2658 www.ohioinsurance.gov

Honorable Ann Womer Benjamin
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a market conduct examination was conducted on the Ohio business of:

Great American Life Insurance Company
NAIC Company Code 63312.

The examination was conducted at the Company's primary business location at:

525 Vine Street
Cincinnati, Ohio 45202.

A report of the examination is enclosed.

Respectfully submitted,

David R. Beck — July 27, 2006

David R. Beck
Chief, Market Conduct Division

Date

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FOREWORD

This examination was conducted under authority provided by Section 3901.011 of the Ohio Revised Code ("R.C.").

SCOPE OF RE-EXAMINATION

The Market Regulation and Licensing Division of the Ohio Department of Insurance ("Department") opened a re-examination of Great American Life Insurance Company ("Company") on December 23, 2005. The re-examination was restricted to Company practices that were the subject of the Consent Order executed October 4, 2005. The on-site portion of the examination of the Company's non-financial business practices began on April 24, 2006, at the Company's primary business location in Cincinnati, Ohio. The examination was conducted concurrently with the examination of the Company's subsidiary, Annuity Investors Life Insurance Company. The findings of that examination are reported separately.

The re-examination was conducted on individual ordinary life and annuity business and death benefit claims on group life policies in Ohio for the period of April 1, 2005, through December 31, 2005. The examination report is a report by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners ("NAIC") and Ohio's applicable statutes and rules.

The examination included the following areas of the Company's operations: illustrations, replacements, single premium deferred annuities, and paid claims.

METHODOLOGY

As part of the examination, the Department's examiners reviewed the Company's individual ordinary annuity contracts and group and individual annuity death benefit claim files, and the Company's corresponding procedure manuals. This information was supplemented by interviewing Company managers and with written inquiries requesting clarification and/or additional information from the Company.

Only Ohio insureds or policyowner files were reviewed. A series of tests were designed and applied to these files to determine the Company's level of compliance with Ohio's insurance statutes and rules. These tests are described and the results noted in this report.

The examiners used the NAIC's standard of:

7% error ratio on claim files (93% compliance rate)
10% error ratio on all other files (90% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a "yes/no" question. A "yes" response indicates compliance and a "no" response indicates a failure to comply. A "no" response may also be referred to in this report as an "exception."

In any instance where errors were noted, the examiners described the apparent errors and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings;
- Had additional information for the examiners to consider; and/or
- Proposed remedial action(s) to correct the apparent deficiency.

The examiners' recommendations, as applicable, are included in this report.

SAMPLING

The Company supplied reports of policy and claim data in file formats, which could be used on IBM compatible personal computers. Where the total population was less than 100 records, the entire population was tested for compliance. Otherwise, all tests were conducted on a sample of files randomly selected from a given report. The samples were selected from populations consisting of policies or claim records. Samples were selected using a standard business database application that provides a true random sample given that it supplies a random starting point from which to select the sample.

ILLUSTRATIONS

The Company discontinued writing new life insurance policies as of April 30, 2004. During the examination period, the only new policies issued by the Company were issued to current life insurance policy owners, who exercised conversion options.

Illustration Templates

Pursuant to the Consent Order, the Company agreed to *"modify the illustration template used by the Company and distributed to its agents for their use. It will include the policy form number of the contract being illustrated on a numbered page within the illustration documents as required by Ohio Adm.Code 3901-6-04(F)(1)(e)."*

Standard: An illustration used in the sale of a policy contains all required information and is delivered in accordance with statutes and rules.

Test: Did the Company's illustration template conform with the specifications of Ohio Adm.Code 3901-6-04(F)(1)?

Test Methodology:

- The examiners compared the Company's illustration form in the new business policy records with the specific provisions of Ohio Adm.Code 3901-6-04(F)(1).
- The examiners considered as an exception any use of an illustration that lacked any of the specified policy information.

Findings:

The Company's illustration met the requirements set forth in Ohio Adm.Code 3901-1-04(F)(1) and complied with the terms and conditions of the Consent Order.

Statement of Policy Cost and Benefit Information

Pursuant to the Consent Order, the Company agreed to, *"modify its form labeled 'Statement of Policy Cost and Benefit Information' by removing the following statement: 'This is an Illustration and not a Contract.' "*

Given that the Company is no longer writing new business (life insurance) in Ohio, this term and condition from the consent order is no longer applicable.

Review of Specific New Business Practices

Pursuant to the Consent Order, the Company agreed to, *"modify its illustrations so that they comply with the requirements of Ohio Adm.Code 3901-6-04."*

Standard: An illustration used in the sale of a policy contains all required information and is delivered in accordance with statutes and rules.

Test: Did the Company's illustrations comply with the life insurance illustration requirements of Ohio Adm.Code 3901-6-04?

Methodology:

- The Company supplied a data file containing individual ordinary life new business issued during the examination period. These "new business" policies were all issued as the result of the policy owner choosing to exercise his/her conversion option.
- The entire population of policy conversions was reviewed to verify that all required information was contained in the illustration and, where applicable, that it was delivered according to the law.
- A record was considered an exception if it did not comply with the portion of Ohio Adm.Code 3901-6-04 tested. The tests are enumerated below.

Findings:

Test	Population	Sample	Yes	No	Standard	Compliance
Was an agent issued illustration or certification of illustration signed as of the application date?	2	2	2	0	90%	100%
Was an illustration or certification submitted with the application?	2	2	2	0	90%	100%

Test	Population	Sample	Yes	No	Standard	Compliance
Was the first illustration presented to the insured clearly labeled "Life Insurance Illustration," did it contain the name, age, and sex of the insured, the name and business address of the agent, the underwriting/rating class, the generic policy name, product name and form number, initial death benefit, and when applicable, the dividend election option or application of non-guaranteed elements and were the terms defined in language understood by the typical public?	2	2	2	0	90%	100%
Was the first illustration presented to the insured complete?	2	2	2	0	90%	100%
Did the first basic illustration presented to the insured contain all parts required?	2	2	2	0	90%	100%
Did the first Narrative Summary presented to the insured contain all parts required?	2	2	2	0	90%	100%
Did the first Numeric Summary presented to the insured contain the required statements that were signed and dated by both the agent and the policy owner; include policy maturity and final expiration if premium was to change; contain the correct guaranteed death benefit and surrender value correspond to the policy year for which the contract premium has been paid; and were non-guaranteed elements shown for the same duration as guaranteed elements?	2	2	2	0	90%	100%
Was the first illustration presented to the insured free of prohibited language, terms or misrepresentations?	2	2	2	0	90%	100%
Was any revised illustration marked "Revised Illustration," signed/dated by the applicant or policy owner no later than the policy delivery date and did the Company receive a signed copy of the revised illustration?	2	2	2	0	90%	100%

The standard of compliance is 90%. The Company's practices met this minimum standard in all nine tests.

REPLACEMENTS

Replacement Register

Pursuant to the Consent Order, the Company agreed to, *"maintain a replacement register as required by Ohio Adm.Code 3901-6-05(G)(3)."*

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company maintain a replacement register as required by Ohio Adm.Code 3901-6-05(G)(3)?

Test Methodology

- The Company supplied a report of apparent replacements during the examination period compiled from the Company's replacement register.
- The examiners reviewed the records in the Company's replacement register to determine if these records were:
  1. "Replacements" as defined by Ohio Adm.Code 3901-6-05(D)(1); and,
  2. Recorded in the replacement register in a manner that permitted cross-reference by agent and company replaced.
- The examiners considered any record in the replacement register that:
  1. Did not meet the definition of replacement in Ohio Adm.Code 3901-6-05(D)(1); or,
  2. Lacked sufficient information to permit cross indexing by agent and existing insurer

  to be an exception.

Findings:

Population	Sample	Yes	No	Standard	Compliance
194	194	194	0	90%	100%

The standard for compliance is 90%. The Company's practices met this minimum standard.

Examiners' comments:
Ten of the 194 entries in the Company's replacement register were tax-sheltered annuities ("TSA"), issued in connection with an employer-sponsored program. The Company included the TSA's in the replacement register because the contracts are marketed to individual employees. As part of an employee benefit plan, these applications are not "replacements" as defined by Ohio Adm. Code 3901-6-05. The Company has stated it will discontinue this practice when processing future TSA applications.

<u>Notice Regarding Replacement Form</u>

Pursuant to the Consent Order, the Company agreed to, *"modify its 'Notice Regarding Replacement' to comply with Ohio Adm.Code 3901-6-05(E)(2)(a)."*

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the "Notice Regarding Replacement" ("NRR") forms in use during the examination period conform with Ohio Adm.Code 3901-6-05(E)(2)(a)?

Findings:

Line of Business	Population	Sample	Yes	No	Standard	Compliance
External Annuity	192	192	192	0	90%	100%
Internal Annuity	1	1	1	0	90%	100%

The standard of compliance is 90%. The Company's practices met this minimum standard.

Review of Specific New Business Practices

Pursuant to the Consent Order, the Company agreed to:

- *"Require its agents to comply with the replacement requirements for life insurance and annuity sales as required by Ohio Adm.Code 3901-6-05;" and to,*

- *"Modify its practice of handling replacements policies to conform with Ohio Adm.Code 3901-6-05."*

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Agent test: Did the Company require its agents to comply with the replacement requirements for annuities according to Ohio Adm.Code 3901-6-05?

Company test: Did the Company's practices of handling replacement policies comply with the replacement requirements for annuities according to Ohio Adm.Code 3901-6-05?

Methodology

- The examiners reviewed all written policies and procedures that instructed agents and policy processing employees on the Company's replacement procedures and requirements.
- The examiners only tested the Company's annuity replacements.
- "Internal replacements" were defined as those applications for an annuity contract that replaced an existing Great American Life Insurance Company life insurance policy or annuity contract. This definition included any policies or contracts acquired by the Company under a reinsurance agreement.
- "External replacements" were defined as those applications for a Great American Life annuity contract that replaced an existing life insurance policy or annuity contract written by any insurer other than Great American Life Insurance Company. This definition included any policies or contracts written by other companies in the GAFRI group.
- The Company supplied the following data files:
  - A report of apparent replacements during the examination period compiled from the Company's replacement register.
  - A report of individual fixed annuity new business written in Ohio during the examination period.

- From this data, the examiners identified populations of applications proposing internal and external replacements. Each population was tested separately for compliance.
- The entire population of internal replacements was tested. Of the four applications reported as internal replacements, three were removed because they were not "replacement(s)" as defined by Ohio Adm.Code 3901-6-05(D)(1).
- From the sample of 50 annuity external replacements, the examiners removed and replaced eight records which were not "replacement(s)" as defined by Ohio Adm.Code 3901-6-05(D)(1).
- Where the number of apparent errors in a non-claims sample of 50 is between 8% and 12%, an additional sample of 25 records was selected and tested to assure statistical credibility of the findings. An additional sample was selected for the external replacement tests.

Findings—Internal Replacements

Agent Tests:

Test	Population	Sample	Yes	No	Standard	Compliance
Did the agent submit a statement signed by the applicant as to whether a replacement was involved?	1	1	1	0	90%	100%
Did the agent submit a statement signed by the agent as to whether he/she knew that a replacement was involved?	1	1	1	0	90%	100%
Did the agent present to the applicant at the time of application a "Notice Regarding Replacement"?	1	1	1	0	90%	100%
Was the "Notice Regarding Replacement" signed on or before the application date?	1	1	1	0	90%	100%
Did the agent submit a copy of the "Notice Regarding Replacement" to the replacing company with the application?	1	1	1	0	90%	100%
Was the "Notice Regarding Replacement" signed by both the applicant and the agent?	1	1	1	0	90%	100%
Did the agent submit a completed application to the replacing company?	1	1	1	0	90%	100%
Did the agent obtain a list of all existing life insurance or annuities to be replaced and did the list properly identify replaced policies by insurer name, insured name and contract number?	1	1	1	0	90%	100%

The standard of compliance is 90%. The Company's practices met the minimum standard in all tests.

Company tests:

Test	Population	Sample	Yes	No	Standard	Compliance
Did the Company require a statement signed by the applicant as to whether the proposed annuity would replace existing life insurance or annuities?	1	1	1	0	90%	100%

Test	Population	Sample	Yes	No	Standard	Compliance
Did the Company require a statement signed by the agent as to whether the agent knew a replacement could be involved?	1	1	1	0	90%	100%
Did the Company require its agents to obtain a list of all existing life insurance or annuities to be replaced and to properly identify them by name of the insurer, insured, and contract number?	1	1	1	0	90%	100%
Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement"?	1	1	1	0	90%	100%
Did the Company maintain evidence in the file of the "Notice Regarding Replacement"?	1	1	1	0	90%	100%
Did the Company provide notification in or with the policy about the "20 day free look" period and premium refund?	1	1	1	0	90%	100%

The standard of compliance is 90%. The Company's practices met the minimum standard in all tests.

Findings—External Replacements

Agent Tests:

Test	Population	Sample	Yes	No	Standard	Compliance
Did the agent submit a statement signed by the applicant as to whether a replacement was involved?	192	75	75	0	90%	100%
Did the agent submit a statement signed by the agent as to whether he/she knew that a replacement was involved?	192	75	75	0	90%	100%
Did the agent present to the applicant at the time of application a "Notice Regarding Replacement"?	192	75	70	5	90%	93%
Was the "Notice Regarding Replacement" signed on or before the application date?	192	75	70	5	90%	93%
Did the agent submit a copy of the "Notice Regarding Replacement" to the replacing company with the application?	192	75	70	5	90%	93%
Was the "Notice Regarding Replacement" signed by both the applicant and the agent?	192	75	70	5	90%	93%
Did the agent submit a completed application to the replacing company?	192	75	74	1	90%	93%
Did the agent obtain a list of all existing life insurance or annuities to be replaced and did the list properly identify replaced policies by insurer name, insured name and contract number?	192	75	70	5	90%	93%

The standard of compliance is 90%. The Company's practices met the minimum standard in all tests.

Company Tests:

Test	Population	Sample	Yes	No	Standard	Compliance
Did the Company require a statement signed by the applicant as to whether the proposed annuity would replace existing life insurance or annuities?	192	75	75	0	90%	100%
Did the Company require a statement signed by the agent as to whether the agent knew a replacement could be involved?	192	75	75	0	90%	100%
Did the Company require its agents to obtain a list of all existing life insurance or annuities to be replaced and to properly identify them by name of the insurer, insured, and contract number?	192	75	70	5	90%	93%
Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement"?	192	75	75	0	90%	100%
Did the Company maintain evidence in the file of the "Notice Regarding Replacement"?	192	75	75	0	90%	100%
Did the Company provide notification in or with the policy about the "20 day free look" period and premium refund?	192	75	71	4	90%	95%
Did the Company notify the existing insurer of possible replacement within 3 working days of receiving the annuities application?	192	75	73	2	90%	97%

The standard of compliance is 90%. The Company's practices met the minimum standard in all tests.

Examiners' comments:

The Company's "Advantage 15" product lacked a "20 day free look" provision in its contract. The Company has corrected the form.

SINGLE PREMIUM DEFERRED ANNUITIES

Single Premium Deferred Annuity ("SPDA") Disclosure Form

Pursuant to the Consent Order, the Company agreed to *"modify its practice to ensure that the applicant and the agent execute a disclosure form at the time an application is taken for a Single Premium Deferred Annuity as required by Ohio Adm.Code 3901-1-47(C)."*

Standard: All mandated disclosures for individual annuity products are documented and in accordance with applicable statutes and rules.

Findings:

Test	Population	Sample	Yes	No	Standard	Compliance
Was a disclosure statement used in connection with the sale of the SPDA?	447	50	49	1	90%	98%

Test	Population	Sample	Yes	No	Standard	Compliance
Was the disclosure statement completed in its entirety?	447	50	48	2	90%	96%
Was the disclosure statement signed by the applicant at the time of the application?	447	50	49	1	90%	98%
Was the disclosure statement signed by the selling agent at the time of the application?	447	50	49	1	90%	98%

The standard of compliance is 90%. The Company's practices met the minimum standard in all tests.

PAID CLAIMS

Pursuant to the Consent Order, the Company agreed to, *"modify its practice to ensure that interest is paid in accordance with R.C. 3915.052 on all life insurance death benefits."*

Standard: Claim files are handled in accordance with policy provisions and state law.

Test: Were the life insurance death benefit claims correctly paid with interest where required by R.C. 3915.052?

Methodology:

- Using claims data supplied by the Company, the examiners reviewed the individual and group populations of death benefit claims paid on life insurance policies during the exam period.
- The examiners confirmed that the insured was an Ohio resident at the time of death and that the death benefit was paid as a "lump sum." For the purpose of this test, draft accounts, if any, were considered "lump sum" payments.
- A claim settlement was considered an exception if:
  - The rate of interest paid on a claim did not comply with the interest requirements of R.C. 3915.052; and/or,
  - Interest was not paid from the date of the insured's death to the date of claim payment.
- To allow for any differences as the result of rounding, the examiners considered the Company's claim payment to be correct if it was within five dollars (plus or minus) of the claim amount due as calculated by the examiners.

Findings:

Line of Business	Population	Yes	No	Standard	Compliance
Ordinary Life	6	6	0	93%	100%
Group Life	5	5	0	93%	100%

The standard of compliance is 93%. The Company's practices met the minimum standard in both tests.

SUMMARY

This re-examination indicates that the Department's prior examination has had a positive effect on the Company's protection of consumer interests. In the prior examination, problems were found in several areas. However, the Company implemented several procedural changes and established controls so that significant improvements were achieved in the problem areas identified by the Consent Order. Although there were some exceptions noted in this report, the Company met the minimum standard in all tests.

This concludes the report of the Market Conduct Examination of the Great American Life Insurance Company. The examiners would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.

Molly Porto, Examiner in Charge

Date July 27, 2006

OHIO Department of INSURANCE

Bob Taft, Governor
Ann Womer Benjamin, Director

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July 26, 2006

Mark F. Muething
Executive Vice President
Great American Life Insurance Company
250 East Fifth Street
Cincinnati, Ohio 45202

RE: Market Conduct Re-Examination
Great American Life Insurance Company NAIC# 63312

Dear Mr. Muething:

The Ohio Department of Insurance ("Department") has concluded its market conduct re-examination of Great American Life Insurance Company ("Company") pursuant to R.C. 3901.011 and to the terms of the October 4, 2005, Consent Order. Enclosed is the final report, bound and signed, which will be placed on the Department's website.

The re-examination revealed that the Company was compliant with Ohio statutes and rules in all areas examined. The Company showed significant improvement from the prior examination. We appreciate the Company's efforts in complying with Ohio statutes and rules. The examiners also express their appreciation for the cooperation extended during the conduct of this re-examination.

If you have any questions concerning this report or examination, please feel free to contact me.

Sincerely:

Melissa L. Hull
Assistant Director
Market Regulation and Licensing Divisions
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Enclosure