



ODI
Ohio Department
of Insurance

**TARGET MARKET CONDUCT
EXAMINATION
OF
GREAT AMERICAN LIFE INSURANCE
COMPANY
NAIC #63312**

AS OF DECEMBER 31, 2009

**BY THE MARKET CONDUCT DIVISION OF
THE OHIO DEPARTMENT OF INSURANCE**



John R. Kasich, Governor
Mary Taylor, Lt. Governor/Director

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Honorable Mary Taylor
Lieutenant Governor and Director
Ohio Department of Insurance
50 West Town Street, Suite 300
Columbus, Ohio 43215

Lieutenant Governor:

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

Great American Life Insurance Company
NAIC Company Code 63312

The examiners focused on the Companies annuity suitability practices and procedures.

The examination was conducted at the offices of the Ohio Department of Insurance located at:

50 West Town Street, Columbus, Ohio 43215.

A report of the examination is enclosed.

Respectfully submitted,


Lynette A. Baker
Chief, Market Conduct


Date

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SCOPE OF EXAMINATION

The examination of Great American Life Insurance Company (Company), commenced on or about June 9, 2010, with notice of intent to examine.

Unless otherwise noted, the examination covered the period from January 1, 2003, through December 31, 2009.

The market conduct examiners reviewed the Company's compliance programs, computer processes and procedures established to assure annuity suitability compliance. This was accomplished through interviews and reviews of internal audit reports and applicable manuals. The intent of the review was to determine whether the Company's policies and procedures could reasonably be expected to result in compliance with the various Sections of Ohio's Annuity Suitability Rule, Ohio Adm.Code 3901-6-13.

This policy and procedure review was accompanied by a review of random samples of annuity contracts the Company issued during the period from January 1, 2009, through December 31, 2009. The examiners conducted the file review at the offices of the Ohio Department of Insurance (Department).

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (NAIC) and Ohio's applicable statutes and regulations. The examination included the following areas of the Company's operations:

- A. New Business Policies and Procedures
- B. New Business Recommendation Suitability

This report is a report by test.

METHODOLOGY

The examination was conducted through a review of the new business records for the Company's ordinary individual annuity products. The examiners also reviewed the Company's corresponding policy and procedure manuals. As needed, the examiners also interviewed Company managers and submitted written requests for additional information.

Only files for Ohio insureds, policyholders or annuitants were reviewed. Compliance tests, designed to measure the Company's level of compliance with Ohio's statutes and regulations, were applied to the files. All tests are described and the results displayed in this report.

All tests are expressed as a "yes/no" question. A "yes" response indicates compliance and a "no" response indicates a failure to comply. The results of each test applied to a sample are reported separately.

The examiners used the NAIC standards of a 10% error ratio on all tests (90% compliance rate) to determine whether or not an apparent pattern or practice of non-compliance existed for any given test. Except as otherwise noted, all tests were conducted on a random sample taken from a given population.

In any instance where errors were noted, the Examiners described the apparent error and asked the Company for a written response. The Company responded that it:

- concurred with the examiners' findings, and/or
- had additional information for the examiners to consider, and/or
- proposed remedial action(s) to correct the apparent deficiency.

The Company's responses and the examiners' recommendations, as applicable, are included in this report.

COMPANY OPERATIONS

The Company is licensed to write life, annuity and accident & health insurance in 49 states, the District of Columbia, Guam, and the U.S. Virgin Islands.

The Company actively markets fixed annuities and fixed indexed annuities. Historically, the Company markets its products using independent agents. In 2008 the Company began distributing products using bank distribution markets.

As of December 31, 2009, the Company reported ordinary, direct written premiums of:

<u>Ohio Annuity Considerations</u>	<u>Grand Total Annuity Considerations</u>
\$130,816,657	\$970,281,530

Total direct annuity premiums in 2010 were \$1,902.9 million, an increase of \$932.6 million over the previous year. The Company attributes the increase primarily to increased fixed annuity and fixed indexed annuity sales through bank and other non-qualified annuity marketing channels. During that same period, Ohio annuity considerations increased to \$144,766,935.

As of December 31, 2009, the Company's officers, as reported in the 2009 annual financial statements, were:

Charles R. Scheper	President
Mark F. Muething	Secretary
Richard L. Magoteaux	Treasurer
Richard D. Crago	Actuary

In its 2010 annual financial statement, the Company reported that Stephen C. Lindner replaced Charles Scheper as President, and Richard L. Sutton replaced Richard Crago as Actuary. All other officers hold the same posts in 2010 as they did in 2009.

NEW BUSINESS POLICIES AND PROCEDURES

Suitability

Standard: Company has suitability standards for its products as required by applicable statutes, rules and regulations.

Test: Does the Company have policies and procedures that can reasonably be expected to result in compliance with Ohio Adm.Code 3901-6-13 (G)?

Findings:

In response to the examiners' interrogatories, the Company submitted applicable suitability policies and procedures for both its agents and new business processing teams. After reviewing them in detail, the examiners considered that the policies and procedures could reasonably be expected to result in compliance with Ohio Adm.Code 3901-6-13 (G).

Replacement

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

Test: Does the Company have policies and procedures that can reasonably be expected to result in compliance with Ohio Adm.Code 3901-6-05 (E) (F) and (G)?

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

Test: Does the Company have policies and procedures that can reasonably be expected to require its agents to comply with Ohio Adm.Code 3901-6-05 (D)?

Findings:

In response to the examiners' interrogatories, the Company submitted policies and procedures for replacement procedures, requirements for "good order," and quarterly and annual oversight and review of replacements. After reviewing them in detail, the examiners considered that the policies and procedures could reasonably be expected to result in compliance with the various Sections of Ohio Adm.Code 3901-6-05.

NEW BUSINESS RECOMMENDATION SUITABILITY

Standard: Company has suitability standards for its products as required by applicable statutes, rules and regulations.

Test: Does the information in the new business file support that the recommendation was "reasonable"?

Methodology:

To make certain that the samples accurately represented all types of new business transactions, the examiners segmented the population of annuity new business into three transaction types:

Replacement—annuity contract financed by the use of part of the value of an existing life insurance policy or annuity contract; or funded with the proceeds from the full surrender of an existing life insurance policy or annuity contract.

Rollover—annuity contract funded by the transfer of all or part of a balance from an IRA account, 401(k) account or similar retirement savings vehicle.

“Not Replacement”—annuity contract funded by any other type of financial transaction.

In instances where a transaction was both a replacement and a rollover, it was counted as a rollover for the purpose of selecting samples.

The examiners used the following questions to evaluate whether the Company’s new business records supported the suitability of the new business transaction. The examiners included any recommendation for replacement, rollover, surrender and similar action when determining if the recommendation for the contract purchase was suitable.

- Does the Company’s policy file document that the Company and/or its agent had *“reasonable grounds for believing that the recommendation is suitable”* as required by Ohio Adm. Code 3901-6-13 (G) (1)?
- Does the Company’s policy file document that the Company and/or its agent made *“reasonable efforts to obtain information concerning the consumer’s”* financial status, tax status and investment objectives and any other reasonable information before making a recommendation as required by Ohio Adm. Code 3901-6-13 (G) (2)?
- Does the Company’s policy file document that the recommendation was *“reasonable under all the circumstances actually known to the insurer or insurance agent at the time of the recommendation”* per Ohio Adm. Code 3901-6-13 (G) (4)?
- If the annuity purchase recommendation included the replacement of another insurance policy or annuity contract, did the Company require the agent to submit all marketing materials and disclosures as required by Ohio Adm. Code 3901-6-05 (D) and (E)?
- Are the Company’s policy files adequate to allow the Superintendent’s appointees to determine if the recommendations made by its agents and/or general agents are suitable per Ohio Adm. Code 3901-6-13 (J) (1) and (2)?

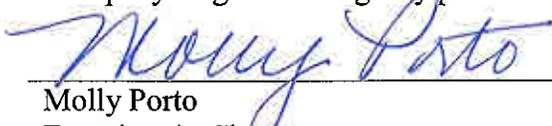
Findings:

Transaction Type	Population	Sample	Yes	No	Standard	Compliance
Replacements	196	50	50	0	90%	100%
Rollover	188	25	25	0	90%	100%
Not Replacements	2829	50	50	0	90%	100%

SUMMARY

It is apparent from the information in the Company's new business records that the company applies its suitability policies and procedures in a way that results in compliance with the numerous Sections of Ohio's Annuity Suitability Rule, Ohio Adm.Code 3901-6-13

This concludes the report of the market conduct examination of Company. The examiners, Ben Hauck and Molly Porto would like to acknowledge the assistance and cooperation of the Company's agents and agency partners as well as its employees and management.



Molly Porto
Examiner in Charge



Date

EXECUTIVE SUMMARY

Suitability and Replacement Policies and Procedures		
The Company’s suitability policies and procedures can reasonably be expected to result in compliance with Ohio Adm.Code 3901-6-13.		
The Company’s replacement policies and procedures can reasonably be expected to identify replacements and to result in compliance with the various Sections of the Ohio Adm.Code 3901-6-05.		
New Business Recommendation Suitability		
Test	Standard	Compliance
Does the information in the Company’s new business “replacement” policy sample support that the annuity purchase recommendation was “ <i>reasonable</i> ”?	90%	100%
Does the information in the Company’s new business “rollover” policy sample support that the annuity purchase recommendation was “ <i>reasonable</i> ”?	90%	100%
Does the information in the Company’s new business “not replacement” policy sample support that the annuity purchase recommendation was “ <i>reasonable</i> ”?	90%	100%

COMPANY RESPONSE



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June 24, 2011

Sent Via Email Delivery

Daniel J. Atkisson, CPCU, CIDM, MCM
Insurance Compliance Supervisor
Ohio Department of Insurance
50 West Town Street
Third Floor – Suite 300
Columbus, Ohio 43215-4186

Re: Draft Report of Market Conduct Examination
Great American Life Insurance Company – NAIC #63312

Dear Mr. Atkisson:

We have received and reviewed the draft report of the Target Market Conduct Examination of Great American Life Insurance Company (the "Company") as of December 31, 2009. The Company has no comments. The Company acknowledges that this letter will be inserted into the final report and become part of the public record.

Again, the Company appreciates the professionalism and cooperation demonstrated by you and your colleagues throughout the examination process.

Please feel free to contact me directly if you have any questions.

Sincerely Yours,

A handwritten signature in cursive script that reads "Jennifer Stephen".

Jennifer Stephen
Manager, Compliance

Our subsidiaries include: Great American Life Insurance Company[®]
Annuity Investors Life Insurance Company[®]
Loyal American Life Insurance CompanySM
Manhattan National Life Insurance Company
United Teacher Associates Insurance Company