

MARKET CONDUCT EXAMINATION REPORT OF
FIDELITY & GUARANTY LIFE INSURANCE COMPANY
AS OF DECEMBER 31, 2022

Des Moines, Iowa
February 13, 2025

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, a market conduct examination has been made of the records, business affairs and marketing practices of

FIDELITY & GUARANTY LIFE INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2022

at its home office located at 801 Grand, Suite 2600, Des Moines, Iowa, 50309

INTRODUCTION

This market conduct examination report, containing applicable comments, explanations, and findings, is presented herein. In general, this is a report by exception. Comments regarding practices and procedures reviewed during the examination have been omitted from the report if no improprieties were found. All unacceptable or noncomplying practices may not have been identified. The failure to identify specific company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

The risk-focused, market conduct examination of Fidelity & Guaranty Life Insurance Company, hereinafter referred to as the “Company”, covers the intervening period from January 1, 2018, through December 31, 2022, and including the period up to the date of the report.

The risk-focused examination reviews internal policies, procedures, and control structures for compliance with applicable Iowa statutes and administrative rules. The examination then focuses on compliance with those policies, procedures, and control structures.

This Report of Examination reflects the examination of the Company’s activities with Iowa consumers.

HISTORY

The Company was incorporated as Fidelity & Guaranty Life Insurance Company in 1959 under the laws of Maryland and commenced business in 1960.

Until June 1, 1995, the Company was a wholly-owned subsidiary of United States Fidelity and Guaranty Company (“USF&G Company”), a Maryland domiciled property and casualty insurer. Effective June 1, 1995, USF&G Company declared a dividend payable to USF&G Corporation consisting of all of the issued and outstanding capital stock of the Company. As a result, the Company became a direct, wholly-owned subsidiary of USF&G Corporation.

On April 24, 1998, as a result of the merger of its parent, USF&G Corporation, with the St. Paul Companies, Inc. (“St. Paul”), an insurance company incorporated in the state of Minnesota, the Company became an indirect subsidiary of St. Paul.

Effective November 1, 2013, the Company re-domesticated from Maryland to Iowa. The re-domestication was reflected in the Company’s financial statements for the year ended December 31, 2013.

The Company became a controlled insurer of its current ultimate holding company on November 30, 2017, when CF Corporation (“CF Corp”) completed its acquisition of all of the outstanding shares of capital stock of Fidelity & Guaranty Life Holdings, Inc. (“FGLH”) pursuant to the Agreement and Plan of Merger, dated as of May 24, 2017, as amended, by and among CF Corp, FGL US Holdings, Inc., FGL Merger Sub, Inc., and FGL. A Form A for Acquisition or Control of a Domestic Insurer was filed by CF Corp on May 26, 2017; an Amended and Restated Application for Approval of Acquisition or Control of a Domestic Insurer was filed by CF Corp on August 10, 2017, and was subsequently approved by the Iowa Insurance Division on November 28, 2017. Upon completion of the acquisition of FGL, CF Corp changed its name to FGL Holdings, and FGL merged with and into Fidelity & Guaranty Life Holdings, Inc. (“FGLH”).

On February 7, 2020, FGLH and Fidelity National Financial, Inc. (“FNF”) entered into a merger agreement pursuant to which FNF would acquire FGLH. FNF completed the acquisition of FGLH on June 1, 2020 for approximately \$2.7 billion. FGLH became F&G Annuities & Life Inc. (“FGAL”). FGAL is the indirect parent of FGLIC. In connection with the acquisition, FNF issued approximately 24 million shares of common stock and paid approximately \$1.8 billion in cash to former holders of FGLH ordinary and preferred shares. At closing, all outstanding shares of FGLH common stock, excluding shares associated with the liability to former owners, were converted into the right to receive the Merger Consideration as defined in the Merger Agreement. The transaction was approved by a Special Committee of FGLH Directors, a Special Committee of FNF Directors and the FNF Board of Directors. FNF is the largest title insurance company in the United States and is domiciled in Florida.

Effective December 31, 2020, FGLH contributed all outstanding common shares of F&G Life Re, a foreign subsidiary, to the Company.

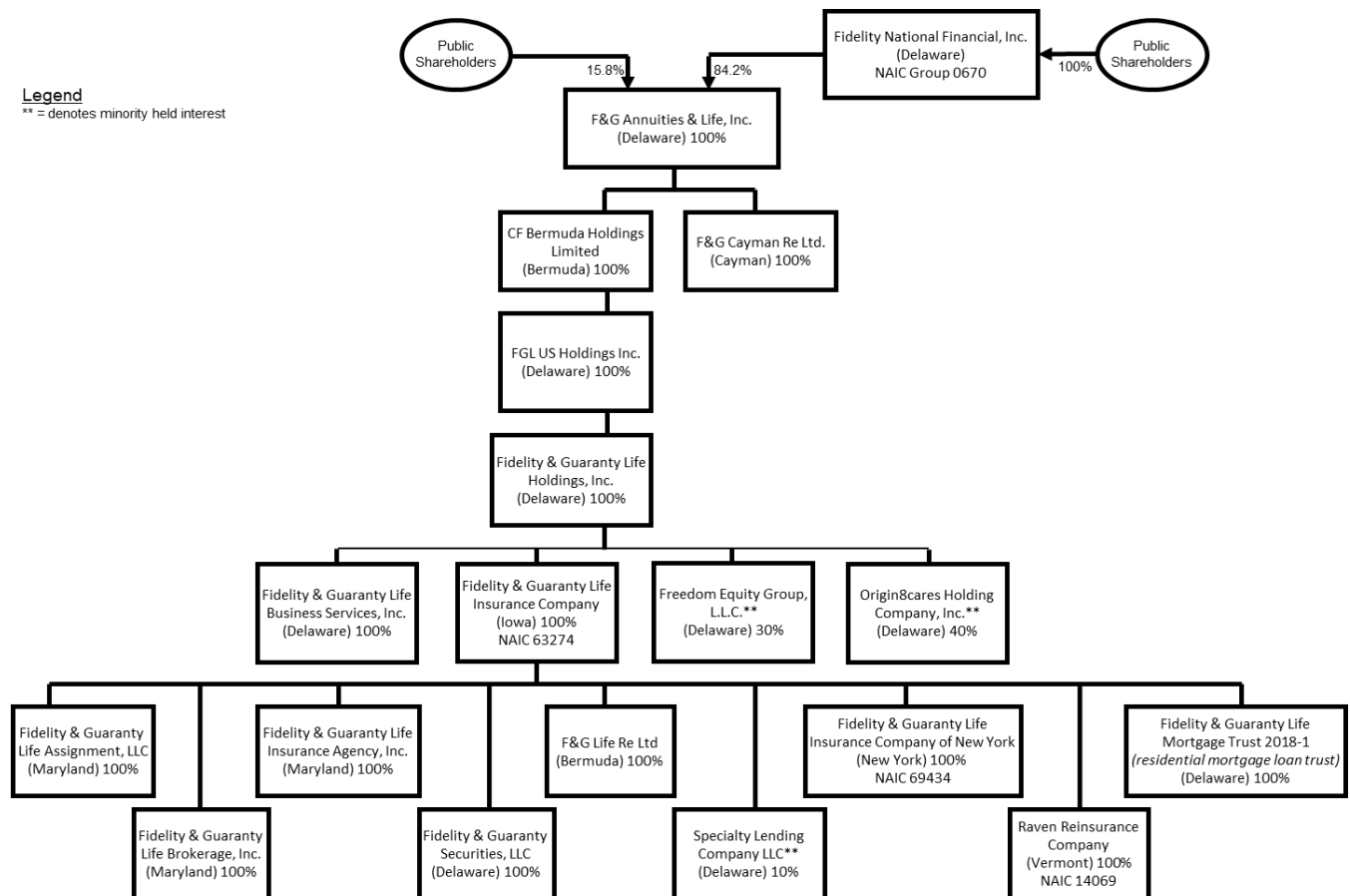
On March 14, 2022, FNF’s Board of Directors approved a dividend to its shareholders, on a pro rata basis, of 15% of the FGAL common stock. On November 3, 2022, FNF’s Board of Directors declared a distribution to FNF shareholders of sixty-eight (68) shares of FGAL’s common stock for every 1,000 shares of FNF common stock they own as of the close of business on November 22, 2022, the record date for the distribution. The distribution was effective December 1, 2022.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. SEI ESOT is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed with the Iowa Insurance Division for each year of the examination period.

FGLIC directly owns 100% of the voting stock of Fidelity & Guaranty Life Insurance Company of New York (“FGLIC-NY”), a life insurer domiciled in the state of New York, Raven Reinsurance Company (“Raven Re”), a captive life insurer domiciled in the state of Vermont, and F&G Life Re, a life insurer domiciled in Bermuda.

An organizational chart, as of December 31, 2022, identifying the Company within the Holding Company System is as follows:



TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in 49 states, Puerto Rico, and the District of Columbia. The Company is not licensed to transact business in the state of New York. The Company writes fixed-indexed and fixed-rate deferred annuities, immediate annuities, and indexed universal life contracts. The Company's products are sold through independent agents, managing general agents, specialty brokerage firms and in selected institutional markets. The Company also provides funding agreement backed notes and pension risk transfer ("PRT") solutions through consultants and brokers as part of the Company's institutional distribution channels.

The Company contracts with third party vendors which perform a wide array of business and operational activities including various services relating to incoming mail, complaint handling, new business, underwriting, policy form and rate filing, policyholder services, agent licensing, and setting up claim files and issuing claim checks for the Company's life and annuity products. The third-party vendors are responsible for policy administration for the Company's life, annuity, and PRT products, including the benefits paid and premiums received to and from Company policyholders, and are referenced within this report as third-party administrators ("TPAs").

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling policies and procedures to ensure standards exist; then reviewed a sample of 19 life insurance and 30 annuity death claims to verify timeliness of settlement, accuracy of payments, and adherence to claim policies and procedures. The Company had 1 denied claim in Iowa for the exam period. Most claim payments were made within 30 days of receipt of required claim documents; 1 life claim payment and 2 annuity death claim payments took more than 30 days, but all requisite interest was applied to the claim in accordance with Iowa Code. No issues of non-compliance were found with the sampled claims. All were found to follow claim handling guidelines and applicable statutes and regulations.

Complaints

The Examiners reviewed the Company's complaint handling policies and procedures. Complaints are handled and addressed by the Legal and Compliance department. The complaint register was found to be in compliance with Iowa Administrative Code 191.15.13 (1). The Examiners also reviewed a sample of 39 consumer complaints, all were handled in accordance with applicable regulations.

Underwriting

The Examiners reviewed the underwriting procedures, guidelines, and rating practices for reasonableness and to ensure adherence to underwriting standards. A sample of 50 life insurance new business applications were reviewed and all were found to be issued in a timely manner and in accordance with Company standards. In addition, a sample of 9 declined applications were reviewed and all were found to be handled in accordance with Company guidelines.

MARKETING AND SALES

The Company's Marketing Department is responsible for the development of all advertising and marketing materials. All advertisements are reviewed and approved by the Compliance department. The Examiners reviewed the advertising log for the exam period and noted that it is in compliance with Iowa Administrative Code 191.15.13(2).

POLICYHOLDER SERVICES

The Examiners reviewed the Company's procedures for non-forfeiture options, annual reports to policy owners, and quality assurance reviews over billing and accounting. All were found to be in compliance with state statutes and regulations.

PRODUCER LICENSING

The Examiners reviewed producer licensing policies and procedures, producer onboarding, training, licensing, and termination procedures. These procedures were found to be in compliance with state statutes and regulations.

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

In addition to the undersigned, Bouavan Kha, examiner for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Amanda Theisen
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Assistant Chief - Examinations
Iowa Insurance Division
State of Iowa