

MARKET CONDUCT
EXAMINATION REPORT OF
FIDELITY & GUARANTY LIFE INSURANCE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2017

Des Moines, Iowa
October 4, 2019

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

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an 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, 2017

at its home office located at 601 Locust Street, Des Moines, Iowa 50309.

INTRODUCTION

This 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 non-complying practices may not have been identified. The failure to identify specific Company practices does not constitute acceptance of these practices.

SCOPE OF EXAMINATION

This risk-focused, market conduct examination of Fidelity & Guaranty Life Insurance Company, hereinafter referred to as the "Company", covers the period from January 1, 2013 through December 31, 2017 including subsequent events through the current date with an analysis of certain Company operations conducted through March 28, 2019. The Iowa Insurance Division ("Division") retained Risk & Regulatory Consulting, LLC ("RRC" or the "Examiners") to assist the Division with the examination.

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

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

HISTORY

Fidelity & Guaranty Life Insurance Company was incorporated as Fidelity and 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.

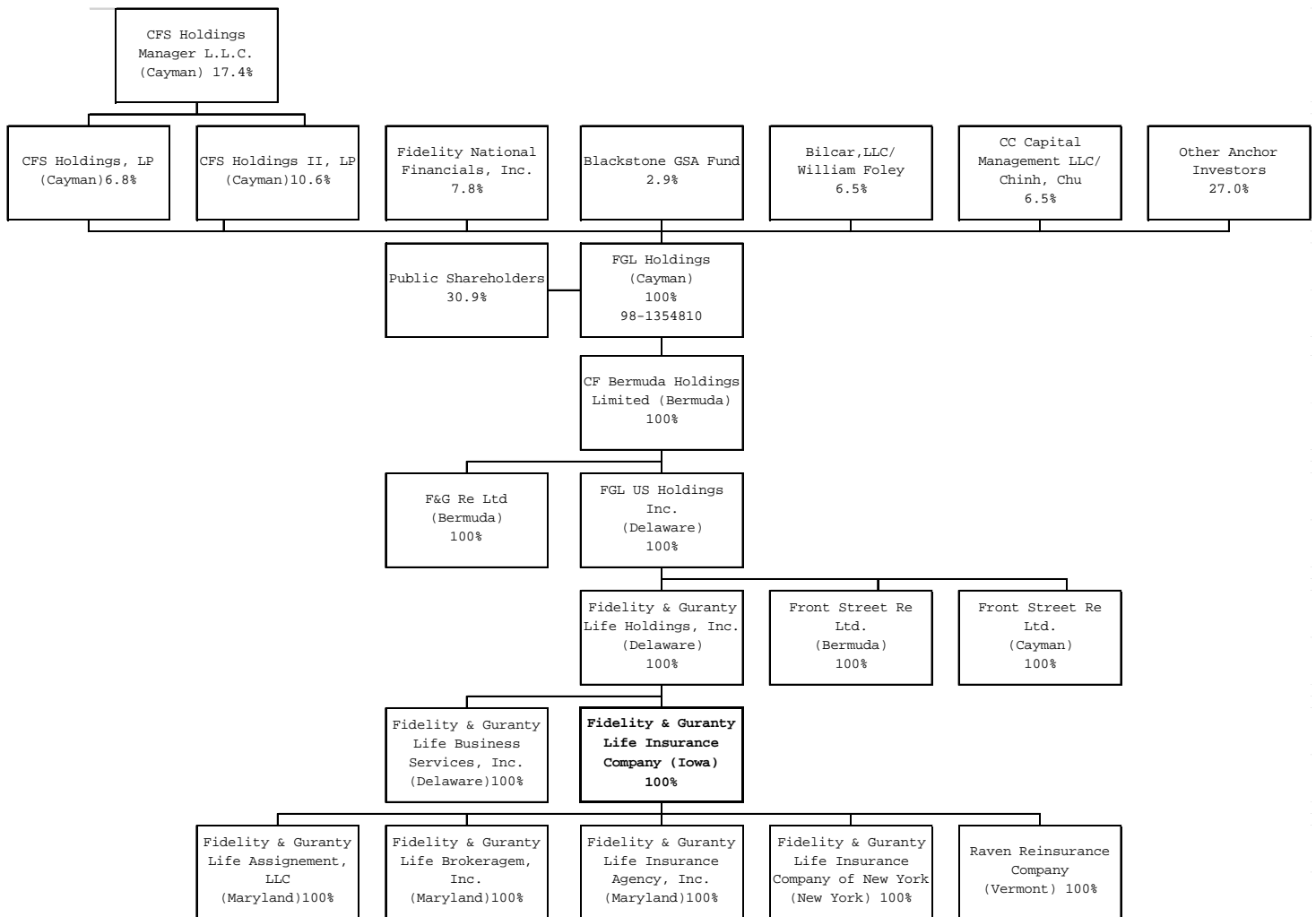
On April 24, 1998, as a result of the merger of its parent, USF&G Corporation, with the St. Paul Companies, Inc. ("St. Paul"), an insurance company incorporated in the state of Minnesota, the Company became an indirect subsidiary of St. Paul.

Effective November 1, 2013, the Company redomesticated from Maryland to Iowa. The redomestication 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 completed its acquisition of all of the outstanding shares of capital stock of the Company's indirect parent pursuant to the agreement and Plan of Merger, dated as of May 24, 2017, as amended, by and among CF Corporation, FGL US Holdings, Inc., FGL Merger Sub, Inc., and Fidelity & Guaranty Life. A Form A for Acquisition or Control of a Domestic Insurer was filed by CF Corporation on May 26, 2017; an Amended and Restated Application for Approval of Acquisition or Control of a Domestic Insurer was filed by CF Corporation on August 10, 2017 and was subsequently approved by the Division on November 28, 2017. Upon completion of the acquisition of the Company, CF Corporation changed its name to FGL Holdings.

FGL Holdings, through its subsidiaries, indirectly owns 100 percent of the voting stock of the Company. The Company directly owns 100 percent of the voting stock of Fidelity and Guaranty Life Insurance Company of New York.

An abbreviated organizational chart identifying the Fidelity & Guaranty Life Insurance Company and affiliated companies 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 top 5 states in which the Company writes business are California, Florida, Texas, Michigan, and Arizona.

The Company currently writes fixed indexed annuities, deferred annuities, immediate annuities, traditional and 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 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. Two of the third party vendors are responsible for policy administration for the Company's life and annuity products,

including the benefits paid and premiums received to and from Company policyholders, and are referenced within this report as third party administrators ("TPAs").

PRODUCER LICENSING AND APPOINTMENTS

The Examiners reviewed the Company's onboarding, appointment, termination and license monitoring procedures and conducted interviews of the Company's management personnel knowledgeable of the Company's processes, practices and procedures.

The Company uses third party vendors to perform and score background checks and to maintain up to date producer license information internally and with the Division. The examiners compared the Company's list of appointed and licensed Iowa producers to the list on file with the National Insurance Producer Registry (NIPR). The Company's producer records are not consistent with the records in NIPR and included an appointed producer who did not have an active Iowa producer license.

Examiners also compared the Company's list of terminated agents to that on NIPR. The Company's terminated producer records were not consistent with the records in NIPR.

MARKETING AND SALES

The Examiners reviewed the Company's advertising policies and procedures and conducted interviews of the Company's management personnel knowledgeable of the Company's marketing and sales processes, practices and procedures. It appeared all policies and procedures were in compliance with state statutes and regulations.

Annuity Suitability

The Examiners reviewed the Company's suitability procedures and supporting documentation, including quality assurance review reports and internal audit reports, and conducted interviews of the Company's management personnel knowledgeable of the Company's suitability review and system of supervision process, practices and procedures. It appeared the suitability procedures were in compliance with applicable statutes and regulations.

Iowa Administrative Code 191-15.75(6)a requires each insurer selling annuities to establish a supervision system that is reasonably designed to achieve the insurer's and its insurance producers compliance with the requirements of applicable statutes, rules and regulations for suitability of annuity sales recommendations. The Company informs its agents of the requirements and standards for suitability and product training through its Market Conduct Guide and provides a variety of training resources to its independent agents through its on-line agent portal.

TREATMENT OF POLICYHOLDERS

Claim Practices

The Examiners reviewed the Company's claim handling procedures and conducted interviews of the Company's management personnel knowledgeable of the Company's claims handling processes, practices and procedures. The Company uses two TPAs to set up claim files, one of which also issues claim checks for the Company's life and annuity products. It appeared all procedures were in compliance with applicable statutes and regulations.

Complaints

The Examiners reviewed the complaint register and complaint handling procedures. In addition, the Examiners conducted interviews of the Company’s management personnel knowledgeable of the Company’s complaint handling processes, practices, and procedures. The Company uses two TPAs to maintain its complaint register and to investigate and respond to complaints, subject to the Company’s approval of the offer letter. The Examiners pulled a judgmental sample of seventeen complaints from a population of forty-nine complaints during the Examination Period to determine if the Company provided complete responses and took appropriate actions to address the complaint matters. The samples were determined to be in compliance with Iowa Code statutes and regulations.

Underwriting Practices

The Examiners reviewed the Company’s procedures relating to underwriting and conducted interviews of the Company’s management personnel knowledgeable of the Company’s underwriting processes, practices and procedures. The Company uses a third party vendor to provide underwriting services including risk classification determination on submitted life insurance applications utilizing established underwriting guidelines, underwriting decisions for policy reinstatements, coverage amount increases and other in-force transactions requiring underwriting assessment. The Company also uses a TPA to handle life new business processing, including new application data entry, new application and documentation imaging, and issuing and mailing policy contracts to policyholders. It appeared all procedures were in compliance with applicable statutes and regulations.

CONCLUSION

In addition to the undersigned, Sam Binnun, AIE, LUTCF, MCM and Teri Harkenrider, MCM of Risk & Regulatory Consulting, LLC participated in the examination and the preparation of this report.

Respectfully submitted,

 /s/ Robert W. McManus
Robert W. McManus, CIE, MCM, AIRC
Examiner-in-Charge
Risk & Regulatory Consulting, LLC on behalf of
the Iowa Insurance Division
State of Iowa

 /s/ Lindsay Bates
Lindsay Bates, MCM, CFE
Insurance Examiner Market Specialist
Iowa Insurance Division
State of Iowa