

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

Great American Life Insurance Company
NAIC #63312
301 East Fourth Street
Cincinnati, OH 45202

As of

June 30, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



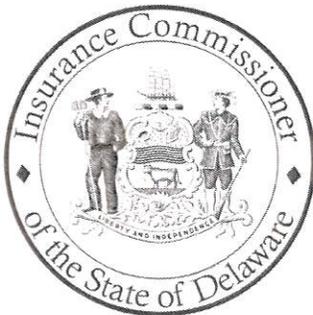
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of June 30, 2011 on

Great American Life Insurance Company

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

Attest By: Linda Nemo



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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



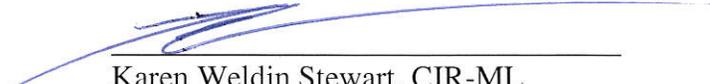
Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
Great American Life Insurance Company
AS OF
June 30, 2011

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.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Great American Life Insurance Company**

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Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 11.ANN.10, 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

Great American Life Insurance Company (GALIC) was founded in East Orange, New Jersey on December 15, 1959. It first became licensed to transact business in the State of Delaware on June 6, 1963.

This examination was conducted 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 thereon is respectfully submitted.

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EXECUTIVE SUMMARY

The Company's products consist primarily of fixed annuities and fixed indexed annuities, term life, universal life insurance (the company ceased accepting new business in 2004) and long term care products (which were 100% reinsured in 2009). In 2008 the Company began writing business in the bank distribution market, resulting in \$501.1 million, \$314.1 million and \$345.3 million of annuity premiums in 2010, 2009 and 2008 respectively.

Total direct annuity premiums in 2010 were \$1,902.9 million compared to \$970.3 million in 2009, an increase of \$932.6 million. The increase in annuity premium is primarily related to fixed annuity and fixed indexed annuity sales through bank and other non-qualified annuity markets.

This examination was announced as part of a series of examinations on companies in the Individual Fixed Annuity marketplace in Delaware. The companies were chosen based on their Delaware market share, market analysis results and the Company's complaint index.

The purpose of the examination is to focus on the Company's compliance with past regulatory or litigation settlements related to the sales and marketing of individual fixed annuities, while additionally determining compliance with Delaware insurance laws and regulations.

The following exceptions were noted in the areas of operation reviewed:

- 1 Exception - The Company failed to maintain proper annual certifications from its third party distributor as required by 18 De. Admin. Code 1214 § 6.4.2.2.1.

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, 2010 through June 30, 2011, unless otherwise noted. The purpose of the examination is to determine compliance by the Company with Delaware's insurance laws and regulations related to the sales and marketing of individual fixed annuities.

The examination was a targeted market conduct examination of the Company's annuity business in the following areas of operation: Complaint Handling, Producer Oversight, Underwriting, Policyholder Service and Marketing/Sales.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC.

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While the examiners report on the errors found in individual files, the examination also focuses 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.

Delaware Market Conduct Examination Reports generally note only those items that have been identified as an 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.

Throughout the course of the examination, Company officials were provided status memoranda and Information Requests (IR) which referenced specific policy numbers and citation to each law violated. Additional information was requested to clarify apparent violations.

COMPANY HISTORY AND PROFILE

The Great American Life Insurance Company (GALIC) was incorporated in East Orange, New Jersey, on December 15, 1959. It first became licensed to transact business in the State of Delaware in June 1963. In April 1982, GALIC was redomesticated from New Jersey to Ohio. The Company is licensed in the District of Columbia, Guam, the U.S. Virgin Islands, and all states except New York. The Company's statutory home office address is 301 East Fourth Street, Cincinnati, OH 45202. The Company's processing center for the fixed and fixed-indexed annuity lines is also located in Cincinnati, Ohio.

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

COMPANY OPERATIONS AND MANAGEMENT

A. Underwriting Guidelines

The Company was asked to provide a copy of all individual fixed annuity underwriting guidelines utilized during the experience period. The Company was also asked to provide the Company's rescission, termination and declination policies and procedures.

The following underwriting procedures and guidelines were provided and reviewed:

1. Annuity Suitability Practices-Delaware

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2. Delaware (1995 NAIC-7) Checklist for New Business
3. Financial Inventory Worksheet - S1073208NW Rev. 10/2009
4. Workflow for New Business Cases Involving Suitability
5. Scoring Matrix
6. Client Financial Disclosure Information - D2624208NW (10/26/09)
7. Client Financial Disclosure Information - D2624211NW 1/11
8. PNC Annuity Overview Form – Form 124505-0308
9. Fixed Annuity Acknowledgement and Disclosure – PNCI Fixed Annuity Version 1109
10. PNC Investments Written Supervisory Procedures 12.4 “Suitability of Recommendations” [FINRA Rule 2310] dated January 11, 2011.

The guidelines, policies and procedures provided were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and that no underwriting practices or procedures were in place that could be considered unfairly discriminatory in nature, or specifically prohibited by the following regulations:

- 18 Del. Admin. Code 1204 Replacements
- 18 Del. Admin. Code 1214 Senior Protection in Annuity Transactions.

No exceptions were noted.

B. Internal Audit and Compliance Procedures

The Company was asked to provide: (a) a narrative statement explaining the internal control methods and audits used to ensure compliance with Delaware Insurance Laws and the Company’s established policies and procedures; (b) a list of all internal audits performed in the last five years; (c) a list of all regulatory and court actions related to the sales and marketing of Individual Fixed Annuities taken against the Company since January 1, 2005; and (d) copies of all market conduct reports completed in the last three years by other States.

The Company provided the following:

- A narrative statement explaining the internal control methods and audits used to ensure compliance with Delaware Insurance Laws and the Company’s established policies and procedures.
- Internal Control Audit Procedures
- A List of Audit Work Related to Individual Fixed Annuities from 1/1/2006 through 12/31/2010.
- Copies of Market Conduct Reports completed in the last three years by other States:
 - Ohio (2)
 - Nevada

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- A statement that: “No regulatory or court actions related to the sales and marketing of annuity contracts have been taken against Great American Life Insurance Company since January 1, 2010.”

The audits and procedures were reviewed to ensure that internal control methods and audits were in place to ensure compliance with Delaware Insurance Laws and the Company’s established policies and procedures.

No exceptions were noted.

INDIVIDUAL UNDERWRITING

The Company utilizes two separate New Business processing systems to administer underwriting and suitability standards consistent with Delaware insurance statutes and rules during the examination experience period:

- GALIC – The Company utilizes an underwriting system for new fixed annuity business submitted through its Broker/Dealer network. This internal system verifies compliance with the Company’s underwriting standards and suitability procedures.
- PNC Financial, Inc. – The bank-owned distribution channel utilizes its own underwriting system.

The Underwriting review was conducted in four (4) general segments.

- GALIC Individual Fixed Annuities Issued
- GALIC Individual Fixed Annuities Replaced
- GALIC Individual Fixed Annuities Surrendered
- GALIC Individual Fixed Annuities Not Taken

Each segment was reviewed for compliance with the following Delaware laws and regulations pertaining to: sales and marketing, disclosures, illustrations, underwriting practices, forms approval and producer licensing and oversight.

- 18 Del. C. §320. Conduct of examination; access to records; correction
- 18 Del. C. §1714. Commissions
- 18 Del. C. §1716. Notification to Insurance Commissioner of Termination
- 18 Del. Admin. Code 1204. Replacement
- 18 Del. Admin. Code 1214. Senior Protection in Annuity Transactions

Issues relating to forms or producer licensing and oversight appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

A. GALIC Individual Fixed Annuity Contracts Issued

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Field Size:	336
Sample:	55
Sample Type:	Random
Number PNC of Files with Error:	0
Number of PNC files involving senior applicants:	0

B. GALIC Individual Fixed Annuity Contracts Replaced

Field Size:	44
Sample:	25
Sample Type:	Random
Number of PNC Files with Error:	0
Number of PNC files involving senior applicants:	0

C. GALIC Individual Fixed Annuity Contracts Surrendered

Field Size:	7
Sample:	0
Sample Type:	Census
Number of Files with Error:	0

The Company identified a universe of seven Surrendered Individual Fixed Annuity contracts. One valid surrendered annuity was identified from the universe of seven contracts. Since this contract was duplicated in the population of issued individual fixed annuities no surrendered policies were included in this review.

D. GALIC Individual Fixed Annuity Contracts Not Taken

Field Size:	5
Sample:	5
Sample Type:	Census
Number of Files with Error:	0
Number of PNC files involving senior applicants:	0

E. Summary of Individual Underwriting Findings

The following finding applies to the three general segments of the Company's individual fixed annuity business submitted through its bank distribution channel as noted above.

Finding 1: The Company failed to obtain proper annual certifications from its third party producer as required by 18 De. Admin. Code 1214 § 6.4.2.2.1.

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The examiners found that only one of the annual statements submitted and signed by PNC applied to Fixed Annuities. The subsequent annual certification from PNC covering the period from 7/1/2010 through 6/30/2011 related specifically to the sale of Variable Annuities. GALIC is not authorized to sell Variable Annuities in the state of Delaware. This certification was invalid as it did not address the products sold through Great American.

The examiners found that the Annual Certification was inappropriate for the products sold through GALIC. The Company responded by stating, "That reference was a typographical error as GALIC has never sold variable annuities." However, the examiners were ultimately provided with PNC's underwriting and suitability procedures manual and found that they did not pertain to fixed annuities either, instead they pertain to variable annuities, a type of product not sold by Great American.

The examiners found that the required Annual Certification covering most of the examination period did not apply to the sale of Fixed Annuities and was thus inappropriate.

Recommendation 1 It is recommended that the Company maintain proper annual certifications from its third party distributor as required by 18 De. Admin. Code 1214 § 6.4.2.2.1.

FORMS

The Company was asked to provide: (a) copies of all Buyers Guides and Disclosure forms utilized in the marketing of annuity contracts during the experience period; and (b) copies of all Annuity contracts marketed in Delaware. The Company provided the documents as requested. The forms reviewed during the various underwriting sections of the examination were reviewed to ensure compliance with 18 Del. C. §2712, Filing, approval of forms.

No exceptions were noted.

CONSUMER COMPLAINTS

The Company provided a list of all complaints received from Delaware consumers, claimants and complaints referred to the Department of Insurance during the examination experience period. The Company was also asked to provide a copy of the Company's complaint handling guidelines, including a description of any complaint summaries and reports prepared for internal monitoring purposes.

The Company identified a universe of six consumer complaints related to Individual Fixed Annuity contracts. In addition, the Company provided its complaint handling

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procedures/guidelines. The Department received no written consumer complaints that were forwarded to the Company during the experience period.

All six Individual Fixed Annuity complaint files were requested and received. All six complaints were resolved via a settlement agreement, which involved rescission of the contracts. It should be noted that the six complaints all involved the same transaction involving a couple who submitted the same basic complaint three times.

The business written by GALIC's independent agent channel generated six consumer complaints, however, there were no complaints received through the bank distribution channel, which comprises 83% of the Company's business. In addition, of the 71 sampled Fixed Annuity files submitted through the bank distribution channel, PNC, 53 annuities or 75.0% were sold to Delaware senior consumers. Of these, 19 were sold to customers aged 80 or older. Among the population of 5 Not Taken annuities, all were from PNC customers over age 80. Given the number of contracts involved, it seems unlikely that there were no complaints from the bank distribution channel. If complaints were generated among the PNC customers, they were addressed by PNC and not reported to the Company.

No exceptions were noted.

ADVERTISING

The Company was asked to provide all advertising materials – whether in printed or audio/visual form, available during the experience period including, but not limited to:

- Agency manuals
- Video and/or audio presentations to field personnel
- Any other types(s) of media presentations or instructional materials used in the training of or available for use by field personnel
- Copies of newsletters, bulletins, etc. to field personnel
- Any scripted presentation (*e.g.*, telemarketing scripts) available for use by field personnel
- Product brochures, videotaped presentations and computer presentations
- Any and all media advertisements and/or presentations

The Company was also asked to provide: (1) a log showing which policy form is associated with the identified piece of advertising material; and (2) a description of the development and approval process for advertising materials generated by the Company and by producers. The following table shows the universe of advertising material and the sample size of advertising material reviewed.

Advertising Material	Universe	Sample
Client Use	416	50
Agent/Broker Use	1,972	25

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Producer Created	229	25
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The advertising materials and the Company's web site (www.lfg.com) were reviewed to determine compliance with 18 Del. C. §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

PRODUCER LICENSING and OVERSIGHT

The Company was asked to provide a list of all producers active and terminated during the experience period along with the Company's oversight policies and procedures regarding the following activities:

- Producer Appointment Procedures & Reference Background Checks
- Product Training & Compliance
- Producer Complaint Monitoring
- Allegations of Misconduct Reports
- Producer Terminations
- Producer Termination for Cause Procedures & Lists
- Producer Commission Structure
- Monitoring Producer Replacement Activity

The policies and procedures were received and reviewed. The Company identified a list of 2,337 active producers. A random sample of 50 producers was selected for review. The list was compared to departmental records of producers to verify licensing and appointments. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the examination. The Company also provided a list of 1,159 terminated producers. A random sample of 25 terminated producers was selected for review. The sample lists were compared to department records of producers to verify licensing, appointments and terminations. Verification of licensing, appointments and terminations was performed to ensure compliance with 18 Del. C. §1716, Notification to Insurance Commissioner of termination.

No exceptions were noted.

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CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Findings noted in the Report.

Recommendation 1: It is recommended that the Company obtain proper annual certifications from its third party producer as required by 18 De. Admin. Code 1214 § 6.4.2.2.1.

The examination was conducted by Roger Fournier and Delbert Knight, supervised by Cynthia M Amann and is respectfully submitted.



ROGER FOURNIER, MCM, CIE
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance



CYNTHIA M AMANN, SIE
Market Conduct Supervising Examiner
RIS Regulatory Insurance Services,
Inc