

# 2007 Annual Report Summary

Forethought Financial Group, Inc.

## LETTER FROM THE CHAIRMAN, PRESIDENT AND CEO

### To: Forethought Financial Group Shareholders and Stakeholders

2007 was a milestone year for Forethought. New products and services were launched designed specifically to enhance the ability of our business partners to meet the changing needs of individual customers. We opened our new Indianapolis office which has allowed us to attract and retain an unmatched team of insurance professionals with significant and innovative industry experience. Forethought Capital Funding opened for business providing a new and effective tool for our business partners to enhance their profitability and finance additional growth. In addition, in July we completed a substantial additional equity offering in excess of \$140 million, which more than doubled the amount of capital backing our already strong financial standing and further solidified our position as an independent and deeply resourced insurance organization.

We enter 2008 with a talented group of employees, substantial liquid assets to fund growth and protect the interests of our business partners and policyholders, an unmatched product portfolio and the momentum to move ahead with confidence.

We are in very turbulent times for financial institutions and the credit markets in which we all operate. Forethought remains extremely well positioned to benefit from this environment while other more thinly capitalized companies may struggle. We will continue to work diligently to protect the interests of our customers and find new ways to add value. Our belief is that change and turmoil create opportunities for those who operate from strength, and we are committed to helping all our partners not only survive but thrive in the present and future.

Thanks, again, for your continued cooperation and support.



John A. Graf  
Chairman, President and CEO

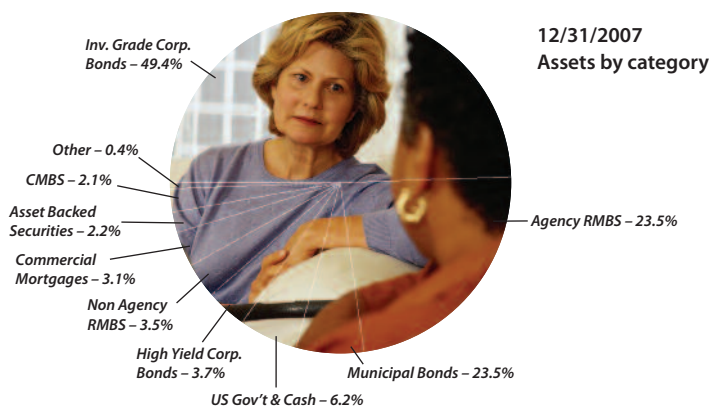
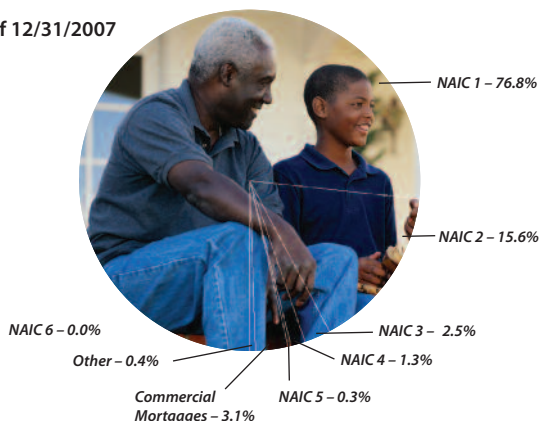


## FINANCIAL GROUP OFFICERS

<b>John A. Graf</b>	Chairman, President and Chief Executive Officer	<b>Kenneth J. Bohrer</b>	Senior Vice President, Finance, Controller and Treasurer
<b>Mary L. Cavanaugh</b>	Executive Vice President, General Counsel and Secretary	<b>Stephen J. Bontell</b>	Senior Vice President, Final Expense Sales
<b>Ngaire E. Cuneo</b>	Executive Vice President, Special Projects and Interim CFO	<b>Mark J. Guzniczak</b>	Senior Vice President, Preneed Sales
<b>Joseph P. Girgenti</b>	Executive Vice President, Operations and Marketing	<b>David K. Mullen</b>	Senior Vice President and Assistant Secretary
<b>Melinda L. Lauber</b>	Executive Vice President, Chief Information Officer	<b>Arthur W. Pickering</b>	Senior Vice President, Annuity Sales
<b>Daniel R. Patterson</b>	Executive Vice President, Chief Actuary	<b>Antonio Torres</b>	Senior Vice President, Direct Lending
<b>Eric D. Todd</b>	Executive Vice President, Chief Investment Officer		

## INVESTMENT OVERVIEW

### NAIC Ratings as of 12/31/2007



Forethought's investment strategy is predicated upon providing stable, predictable income for our policy holders and shareholders. Therefore, Forethought maintains a diversified, high quality portfolio with approximately 95.7% of total assets invested in NAIC 1 or 2 rated securities (investment grade) and commercial mortgages. The other 4.3% is comprised of high yield bonds, equities, real estate and policy loans. The average quality of the portfolio is Aa3/AA – (Moody's/S&P).

RMBS are Residential Mortgage Backed Securities • CMBS are Collateralized Mortgage Backed Securities

## UNAUDITED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

Statutory Basis of Accounting (dollars in 000s)

Revenues	2007
Premium income	\$ 516,864
Net investment income and IMR amortization	204,835
<b>Total revenues</b>	<b>\$721,698</b>
<b>Benefits and expenses</b>	
Policyholder benefits	(549,113)
Commissions	(74,768)
Insurance taxes, licenses and fees	(8,714)
General insurance expenses	(38,184)
<b>Total benefits and expenses</b>	<b>(670,779)</b>
<b>Earnings before interest and taxes</b>	<b>\$50,919</b>
Holding company operating expenses and interest	(14,975)
<b>Pretax operating income</b>	<b>35,944</b>
Income tax expense	(10,126)
<b>Net gain from operations</b>	<b>\$25,818</b>

### CONSOLIDATED BALANCE SHEET

Statutory Basis of Accounting (dollars in 000s)

Assets	12/31/2007
Cash and invested assets	\$3,643,902
Premiums due and deferred	25,971
Accrued investment income	38,438
Other assets	4,887
<b>Total assets</b>	<b>\$3,713,198</b>
<b>Liabilities</b>	
Policyholder benefits	\$3,312,534
Interest maintenance reserve	54,691
Asset valuation reserve	11,603
Secure debt	114,000
Other liabilities	64,894
<b>Total liabilities</b>	<b>3,557,722</b>
<b>Capital and surplus</b>	<b>155,476</b>
<b>Total liabilities and surplus</b>	<b>\$3,713,198</b>

### A.M. BEST RATINGS

Forethought Life Insurance Company A- (Excellent)  
Forethought Life Assurance Company A- (Excellent)  
(The fourth highest of sixteen ratings.)



### Statutory Basis of Accounting (dollars in 000s)

	2007	2006	% Chg
Premium income	\$516,864	\$487,993	6%
Net gain from operations	\$25,818	\$12,758	102%
Total assets	\$3,713,198	\$3,550,512	5%
Policyholder reserves	\$3,312,534	\$3,134,915	6%
Capital and surplus <sup>1</sup>	\$155,476	\$182,990	-15%

<sup>1</sup> 2007 Capital & surplus excludes \$50,000 capital contribution received March 2008

## UNAUDITED FINANCIAL HIGHLIGHTS