

A.M. Best Removes from Under Review and Affirms Ratings of Forethought Life Insurance Company; Assigns Stable Outlook

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OLDWICK, N.J. - (Business Wire) **A.M. Best Co.** has removed from under review with negative implications and affirmed the financial strength rating of A- (Excellent) and issuer credit rating of "a-" of **Forethought Life Insurance Company** (FLIC) (Indianapolis, IN). The outlook assigned to these ratings is stable.

These rating actions reflects FLIC's improved financial flexibility, positive statutory and GAAP operating income in the current year, streamlined corporate structure and improvement in the performance of its investment portfolio.

The ratings of FLIC were placed under review in May 2009, following discussions with FLIC's ultimate parent company, **Forethought Financial Group, Inc.** (FFG), about significant new capital raising initiatives. This action was necessary to improve the capital position and support growth at the company.

FFG has successfully raised new equity capital and contributed \$100 million to FLIC. This new capital was reflected in its third quarter 2009 statutory filing. The additional funds improve the risk-adjusted capital position of the organization to support growth and offset any future investment losses.

FLIC also reported positive profitability in the current year on both a GAAP and statutory basis. The higher earnings reflect improved margins in its pre-need segment, favorable spreads on its fixed index annuity business and deployment of excess liquidity into higher yielding asset classes. Improvements in financial market conditions led to increases in the values of its investment portfolio, reducing the prior significant unrealized losses. FLIC also has taken steps to improve the quality of its investment portfolio by employing experienced external asset managers and investing in higher rated credits. The company also has streamlined its organizational structure and sold non-core affiliates, allowing for a more efficient use of resources and a more focused approach to its target markets. Because of its improved capital position and earnings performance, a stable outlook has been assigned.

Partially offsetting these factors are FLIC's relatively limited business profile, uncertainty related to shifting from being a mono-line pre-need insurer to a multi-line pre-need insurer and fixed indexed annuity writer and reduced yet continuing exposure to a high level of intangible assets. FFG maintains moderate leverage following a significant reduction in its debt.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit www.ambest.com/ratings.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at www.ambest.com/ratings/methodology.

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A.M. Best Co.

Analysts:

Frank J. Walko, 908-439-2200 908-439-2200 , ext. 5072
frank.walko@ambest.com

or

Raj H. Shah, 908-439-2200 908-439-2200 , ext. 5409
raj.shah@ambest.com

or

Public Relations:

Jim Peavy, 908-439-2200 908-439-2200 , ext. 5644
james.peavy@ambest.com

or

Rachelle Morrow, 908-439-2200 908-439-2200 , ext. 5378
rachelle.morrow@ambest.com