



**STATE OF RHODE ISLAND
DEPARTMENT OF BUSINESS REGULATION
INSURANCE DIVISION**

**REPORT on the TARGETED MARKET CONDUCT EXAMINATION
OF**

OM FINANCIAL LIFE INSURANCE COMPANY

NAIC Company Code: #63274

FOR THE PERIOD JANUARY 1, 2008 THROUGH DECEMBER 31, 2010

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
1511 PONTIAC AVENUE, BLDG. 69-2
CRANSTON, RHODE ISLAND 02920**

IN THE MATTER OF:)
)
OM FINANCIAL LIFE INSURANCE COMPANY) **DBR No.**

Respondent.

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and Fidelity & Guaranty Life Insurance Company (formerly OM Financial Life Insurance Company) (“Respondent”) as follows:

1. Pursuant to R. I. Gen. Laws §27-13.1-4, the Department initiated a Market Conduct Examination (“Examination”) in order to evaluate Respondent’s compliance with applicable R. I. Gen. Laws and Rhode Island Insurance Regulations
2. The Examination was completed and a report was issued on July 12, 2011.

WHEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

The Examination concluded that Respondent failed to comply with Rhode Island Insurance Regulation 29, Section 6.A.(2) in four annuity replacements processed during the period under examination 1-1-08 through 12-31-09. The four annuity replacements did not provide proper notification to the replaced company as required under Rhode Island Insurance Regulation 29, Section 6.A (2). The Department and Respondent agree that Respondent will


pay an administrative penalty of four thousand dollars (\$4,000) as a result of these violations.

For all of the violations detailed herein, Respondent is ordered to pay an administrative penalty of four thousand dollars (\$4,000).

Department and Respondent hereby consent and agree to the foregoing on this 12th day of August 2011.

Department of Business Regulation
By its Director,

Respondent,

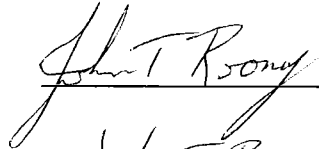


Paul McGreevy

Joseph Torti III

Deputy Director and

Superintendent of Insurance



John T. Rooney

Print Name

Asst. Secretary

Title



Fidelity &
Guaranty LifeSM

FIDELITY & GUARANTY LIFE
INSURANCE COMPANY

1001 Fleet Street, Baltimore, MD 21202
410.895.0100 (office) 1.888.697.LIFE
410.895.0162 (fax)
www.fglife.com

VIA ELECTRONIC MAIL AND OVERNIGHT COURIER

August 12, 2011

Sharon K. Gordon CPA, CFE, MCM
State of Rhode Island and Providence Plantations
Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

RECEIVED

AUG 15 2011 CC

STATE OF RHODE ISLAND
INSURANCE DIVISION

Re: Final Targeted Market Conduct Examination

Dear Ms. Gordon:

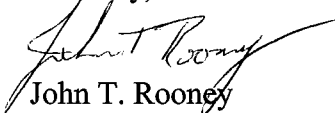
Fidelity & Guaranty Life Insurance Company (hereinafter the "Company") f/k/a OM Financial Life Insurance Company ("OMFLIC") respectfully submits this response to the final version of the Rhode Island Insurance Division's Targeted Market Conduct Examination Report of OMFLIC (the "Report") for the period January 1, 2008 through December 31, 2009. The following sets forth the Company's corrective actions relative to the concerns noted in the Report.

The Report notes concerns relative to notifying the existing insurer of replacement within five (5) business days for four annuity contracts. These contracts noted by the Department during the examination period were issued in 2008 prior to our Third Party Administrator implementing the Company's changes to the administrative guidelines for replacements in 2009 to more fully comply with state regulatory requirements. Please see attached Exhibit A "Administrative Guidelines for State Replacement Requirements", Exhibit B "Replacement Requirements by State" and Exhibit C "Replacement Notice".

The Company has signed the Consent Agreement. Enclosed herewith please find two originally executed Consent Agreements along with a check in the amount of \$4,000 for the administrative penalty. Would your office kindly execute one of these Consent Agreements and return it to my attention at the address noted in the top right corner of this letter.

The Company sincerely appreciates the professionalism and courtesousness of the examiner while conducting the examination.

Sincerely,


John T. Rooney
Assistant Secretary

Fidelity & Guaranty Life is the marketing name of Fidelity & Guaranty Life Insurance Company and, in New York only, Fidelity & Guaranty Life Insurance Company of New York. Only Fidelity & Guaranty Life Insurance Company of New York is authorized to sell insurance and annuities in New York.

Fidelity & Guaranty Life products are underwritten by OM Financial Life Insurance Company in all states and DC other than New York and, in New York only, OM Financial Life Insurance Company of New York.

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Providence, Rhode Island

July 12, 2011

Honorable Paul McGreevy

Insurance Commissioner

State of Rhode Island

Commissioner:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Market Conduct Examination was conducted of the:

OM Financial Life Insurance Company

1001 Fleet Street

Baltimore, Maryland 21202

Hereinafter referred to as the "Company". The examination was conducted at the Department of Business Regulation, Insurance Division, 1511 Pontiac Ave., Bldg 69-2, Cranston, Rhode Island.

FOREWORD

Our Market Conduct Examination Report is, in general, a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or improprieties were not evidenced.

SCOPE OF EXAMINATION

Authority for this examination is provided by R.I. Gen. Laws §27-71-7 and §27-71-15. The examination covered the period from January 1, 2008 through December 31, 2009, and was conducted in accordance with standards established by the National Association of Insurance Commissioners, and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division.

The examination encompassed a review of the following areas: Complaints and Individual Life and Annuity replacements. The purpose of the examination was to verify Compliance with R. I. Gen. Laws 27-29 Unfair Competition and Practices and Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacement.

The test work performed during the examination satisfied the examination purpose, and forms the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the insurer's files.

PROFILE OF COMPANY

History

OM Financial Life Insurance Company

The Fidelity and Guaranty Life Insurance Company (F&G Life) was incorporated as a domestic Maryland insurance company on December 16, 1959. The Company commenced operations on November 1, 1960. At its inception, the Company was a subsidiary of United States Fidelity & Guaranty Corporation (referred to as USF&G Corporation), publicly traded insurance holding company.

In August 1969 the Company acquired Thomas Jefferson Life Insurance Company of Purchase, New York. In 2002, Thomas Jefferson Life Insurance Company changed its name to Fidelity & Guaranty Life Insurance Company of New York, and in 2007 to OM Financial Life Insurance Company of New York.

On April 24, 1998 the St. Paul Companies, Inc. acquired USF&G Corporation.

In September 2001 F&G Life and its subsidiary, Thomas Jefferson Life Insurance Company, were sold by the St. Paul Companies, Inc. to Old Mutual U.S. Life Holdings, Inc. On January 1, 2007, Fidelity and Guaranty Life Insurance Company changed its name to OM Financial Life Insurance Company. Americom Life and Annuity Insurance Company (Americom), domiciled in Texas, was also acquired by Old Mutual U.S. Life Holdings, Inc. in 2001 and subsequently merged with and into OM Financial Life

Insurance Company on October 1, 2007. Old Mutual U.S. Life Holdings, Inc. is a subsidiary of OM Group (UK) Limited, which is a subsidiary of Old Mutual plc, an international financial services company. Old Mutual U.S. Life Holdings, Inc. has two subsidiaries, Old Mutual Business Services, Inc. and OM Financial Life Insurance Company. The current structure includes OM Financial Life Insurance Company of New York as a direct subsidiary of the Company. Other subsidiaries of the Company are not insurance companies.

OM Financial Life Insurance Company changed its name to Fidelity & Guaranty Life Insurance Company on April 11, 2011. This name change was due to the parent company being sold to a subsidiary of Harbinger Group, Inc. Subsequently the name change was filed with the Insurance Division of the Rhode Island Department of Business Regulation, and was approved on May 26, 2011.

The Company concentrates its sales activities in the individual insurance marketplace. The Company specializes in the sale of fixed indexed annuities, single premium deferred and immediate annuities, and term and universal life contracts.

Operations

The Company's Rhode Island direct written premiums for the year 2009 were as follows:

OM Financial Life Insurance Company	
<u>Line of Business</u>	<u>Written Premium</u>
Ordinary Life Insurance	\$1,971,773
Annuity Considerations	<u>\$ 907,589</u>
Total	<u>\$2,879,362</u>

Management

At December 31, 2009, the Officers OM Financial Life Insurance Company were as follows:

John Alden Phelps II	President
Rajesh Krishnan	Senior VP and Chief Investment Officer
Victor Lumby	Senior VP, Client Services and Technology
Eric Lund Marhoun	Senior VP, General Counsel and Secretary
Barry Gordon Ward	Senior VP and Chief Financial Officer
Gerald Maurice Wilson	Senior VP and Chief Risk Officer
Michele C. Gorsuch	Vice President and Treasurer
George C. Nicholson	Vice President and Controller
John P. O'Shaughnessy	VP and Chief Ins. Risk Officer
Kochi Wu	Appointed Actuary

At December 31, 2009, the Directors of the OM Financial Life Insurance Company were as follows:

Michele Cuddington Gorsuch	Jo Ann Anselmi Grant
Victor Lumby	George Carl Nicholson

John Paul O'Shaughnessy

John Alden Phelps II

William Frederick Rothenbach III

Barry Gordon Ward

Gerald Maurice Wilson

Replacements

Individual Annuity

A review of the Company's replacement practices of life insurance and annuity contracts was conducted to determine whether the Company was in compliance with Rhode Island Insurance Regulation 29, Life Insurance and Annuities Replacement, for the period under examination.

The Company provided the examiners with a listing of 18 replacements processed for the period under examination. Sixteen (16) were indicated to be replacements on annuity contracts and two (2) were on individual life contracts. From this listing, all 18 replacement files were selected for review.

Of the eighteen replacement contracts reviewed in the sample, three annuity files were found to be in violation of Rhode Island Insurance Regulation 29. These findings represented an 18.75% error rate for annuity replacements processed. All three of the files were noted as exceptions due to the Company's failure to send proper notification to the existing insurers of the proposed replacements as stipulated by Rhode Island Insurance Regulation 29, Section 6 A (2).

A fourth replacement exception was noted in the review of the complaint area. One of the complaints files that involved replacement of an inforce policy did not provide notification as stipulated by R. I. Insurance Regulation 29, Section 6.A (2).

Recommendation #1: It is recommended that the Company revise its procedures for processing replacement business for annuity contracts to ensure that a separate replacement notification letter is sent to each existing insurer that may be affected by the proposed replacement, within five business days of receipt of a completed application indicating replacement, in accordance with Rhode Island Insurance Regulation 29, Section 6.A.(2).

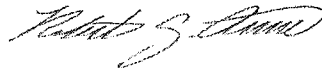
Recommendation #2: It is recommended that the Company maintain a copy of the replacement notification letter in accordance with Rhode Island Insurance Regulation 67, Sections 4 and 5.

Rec.#	Summary of Recommendations	Page #
1.	It is recommended that the Company revise its procedures for processing replacement business for annuity contracts to ensure that a separate replacement notification letter is sent to each existing insurer that may be affected by the proposed replacement, within five business days of receipt of a completed application indicating replacement, in accordance with Rhode Island Insurance Regulation 29, Section 6.A.(2).	9
2	It is recommended that the Company maintain a copy of the replacement notification letter in accordance with Rhode Island Insurance Regulation 67, Sections 4 and 5.	9

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. We were not informed of, and did not become aware of any other error or irregularity that could have a material effect on the market conduct condition of the Company as presented in this report.

Respectfully submitted,



Robert G. Arrow, FLMI, MCM
Senior Market Conduct Examiner
Rhode Island Insurance Division