

2008

Annual Report Summary

LETTER FROM THE CHAIRMAN, PRESIDENT and CEO



To: Forethought Financial Group Shareholders and Stakeholders

2008 was a transformational year for our country, our economy and our company. The credit markets seized up, multiple financial institutions failed, unemployment grew and the prospect of a deep recession became reality.

In this environment, we have continued to maintain a disciplined approach of expense management, rigorous asset liability management and overall risk management. We remain focused on our number one priority—keeping our promises to our policyholders by providing a safe and dependable source of funds when they are needed most.

There were many positive milestones achieved in the midst of this environment. We reduced debt 53% or \$153 million, increased premium income 50% to \$776 million, diversified our product lines, and continued to grow our fee-income business, Forethought Capital Funding. Core operating expenses remained flat, and our investment portfolio benefited from a large cash cushion we began to hold early in the year. We simplified our operating structure with the merger of several of our operating entities and sold our non-core Canadian business.

Most importantly, we continued to build our excellent team of industry professionals and distribution partners. We enter 2009 with great people, great enthusiasm and great focus on the risks still inherent in the current economic climate. We continue to believe that the difficulties the industry faces will create opportunities for us to leverage our talented team into an even better Forethought.

Thanks, again, for your continued cooperation and support.

John A. Graf

Chairman, President and CEO

FINANCIAL GROUP OFFICERS

John A. Graf

Chairman, President and Chief Executive Officer

Mary L. Cavanaugh

Executive Vice President,
General Counsel and Secretary

Ngairé E. Cuneo

Executive Vice President, Special Projects

David W. Entrekín

Executive Vice President, Chief Financial Officer

Joseph P. Girgenti

Executive Vice President,
Operations and Information Technology

Arthur W. Pickering

Executive Vice President, Chief Marketing Officer

Craig A. Anderson

Senior Vice President and Controller,
Chief Accounting Officer

Kenneth J. Bohrer

Senior Vice President, Treasurer

Stephen J. Bontell

Senior Vice President, Final Expense Sales

Michael H. Ebmeier

Senior Vice President, Marketing

Mark J. Guzniczak

Senior Vice President, Preneed Sales

Melinda L. Lauber

Senior Vice President, Chief Information Officer

David K. Mullen

Senior Vice President and Associate General Counsel

Daniel R. Patterson

Senior Vice President, Chief Actuary

Eric D. Todd

Senior Vice President, Chief Investment Officer

Tony Torres

Senior Vice President, Financial Services

UNAUDITED FINANCIAL STATEMENTS

INCOME STATEMENT*

Statutory basis of accounting (dollars in 000s)

Revenues	2008
Premium income	\$ 776,361
Net investment income and IMR amortization	189,580
Other	348
Total revenues	\$966,289
Benefits and expenses	
Policyholder benefits	\$794,536
Commissions	107,108
Insurance taxes, licenses and fees	8,500
General insurance expenses	39,689
Other	1,353
Total benefits and expenses	\$951,186
Pretax operating income	\$ 15,103
Income tax expense	(4,950)
Net gain from operations	\$ 10,153

*Excludes impact of Canadian business assumption reinsurance transaction.

BALANCE SHEET

Statutory basis of accounting (dollars in 000s)

Assets	12/31/2008
Cash and invested assets	\$ 3,757,105
Premiums due and deferred	25,723
Accrued investment income	39,860
Current and deferred income taxes	47,467
Other assets	35
Total assets	\$3,870,190
Liabilities	
Policyholder benefits	\$3,606,262
Interest maintenance reserve	43,919
Asset valuation reserve	12,082
Other liabilities	18,210
Total liabilities	\$3,680,473
Capital and surplus	189,717
Total liabilities and surplus	\$3,870,190

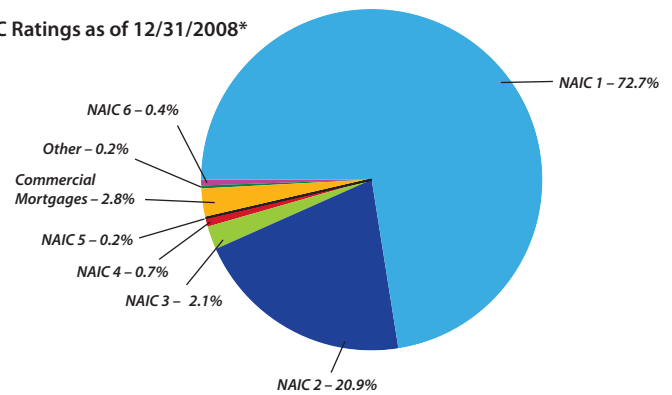
A.M. BEST RATINGS

Forethought Life Insurance Company A- (excellent)

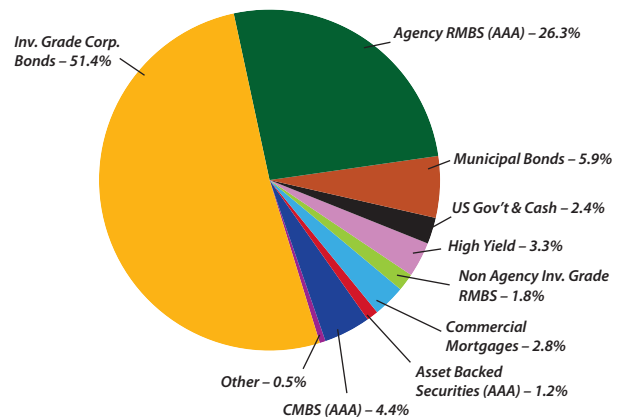


INVESTMENT OVERVIEW

NAIC Ratings as of 12/31/2008*



12/31/2008
Assets by category



Forethought's investment strategy is predicated upon principal protection and providing stable, predictable income for our policy holders and shareholders. Therefore, Forethought maintains a diversified, high quality portfolio with approximately 96.4% of total assets invested in NAIC 1 or 2 rated securities (investment grade) and commercial mortgages. The other 3.6% 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
*NAIC equivalent rating using lowest NRSRO value.

UNAUDITED FINANCIAL HIGHLIGHTS

Statutory basis of accounting (dollars in 000s)

	2008	2007	% Chg
Premium income	\$776,361	\$516,864	50%
Total assets	\$3,870,190	\$3,670,728	5%
Policyholder reserves	\$3,606,262	\$3,312,368	9%
Capital and surplus	\$189,717	\$226,837	-16%

Statutory Risk

Based Capital **646%**