

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

SECURITY BENEFIT LIFE INSURANCE COMPANY
ONE SECURITY BENEFIT PL
TOPEKA, KS 66636-0001

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Victor Reyes, Amy Kurson, Joe Tighe, Tom Condon, and James Robinson at Reyes Kurson as Examiners to assist the Illinois Department of Insurance ("Department") in the completion of the market conduct examination of Security Benefit Life Insurance Company, NAIC # 68675 (the "Company") by reviewing and completing the examination report prepared by Examiner in Charge, Mike Hager, and associate, Pat Hahn, including the review of any objections or rebuttals submitted by the Company regarding the findings of such reports, and drafting of any related Stipulation and Consent Order for the review and approval of the Director. The costs of this examination shall be borne by the Company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of the Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Chicago, this 1st day of October, 2012.

Andrew Boron

Andrew Boron

Director

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF
THE EXAMINATION OF:

SECURITY BENEFIT LIFE INSURANCE COMPANY
ONE SECURITY BENEFIT PL
TOPEKA, KS 66636-0001

MARKET CONDUCT EXAMINATION WARRANT

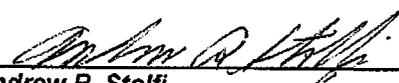
I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Mike Hager, Examiner-In-Charge, and associates as the proper persons to examine the insurance business and affairs of Security Benefit Life Insurance Company, NAIC # 68675, of Topeka Kansas, and to make a full and true report to me of the examination made by them of Security Benefit Life Insurance Company with a full statement of the condition and operation of the business and affairs of Security Benefit Life Insurance Company with any other information as shall in my opinion be necessary to examine the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Security Benefit Life Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 9th day of November, 2011.


Andrew R. Stolfi

Acting Director

STATE OF WISCONSIN)
) ss
COUNTY OF GREEN BAY)

Mike Hager, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

Security Benefit Life Insurance Company, NAIC #68675

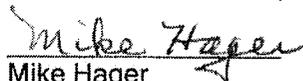
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

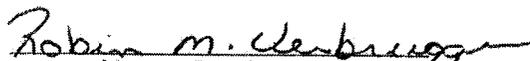
That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.


Mike Hager
Examiner-In-Charge

Subscribed and sworn to before me
this 9th day of April, 2013.


Notary Public

Commission Expires 12-15-2013

SECURITY BENEFIT LIFE INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: December 19, 2011, through
February 3, 2012

EXAMINATION OF: Security Benefit Life Insurance Company
NAIC # 870 68675

LOCATION OF EXAMINATION: One Security Benefit Place
Topeka, Kansas 66636-0001

PERIOD COVERED BY EXAMINATION: July 1, 2010, through June 30, 2011
Department of Insurance Complaints
July 1, 2008, through October 14, 2011

EXAMINERS: C. Michael Hager – Examiner-In-Charge
Pat Hahn

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I. SUMMARY

1. **There were no criticisms against the company.**

II. BACKGROUND

Security Benefit Life Insurance Company was founded in 1892 as the National Council of Knights and Ladies of Security. On October 1, 1919, the company merged with the National American Association, a fraternal society in Kansas City, at which time the corporate name changed to Security Benefit Association (“SBA”).

On January 1, 1950, SBA became a mutual legal reserve life insurance company and the corporate name changed to Security Benefit Life Insurance Company (“SBL”), a mutual insurance company.

SBL then converted to a Kansas stock insurance company in connection with a mutual holding company conversion on July 6, 1998.

SBL then experienced a change of control on July 30, 2010. The change of Control of SBL occurred upon (1) the demutualization of Security Benefit Mutual Holding Company (“SBMHC”), a Kansas mutual holding company and the sole indirect shareholder of SBL, and (2) the sale of all of the issued and outstanding shares of common stock of Security Benefit Corporation (“SBC”), a wholly owned direct subsidiary of SBMHC, to Guggenheim SBC Holdings, LLC (“Guggenheim Holdings”). SBL is a wholly owned direct subsidiary of SBC. Guggenheim Holdings is a Delaware limited liability company which is managed, indirectly, by Guggenheim Partners, LLC a Delaware limited liability company.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's systems and procedures used in dealings with insureds and claimants.

The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Non-Forfeiture Analysis
3. Claims Analysis
4. Policy Forms and Advertising Material Analysis
5. Replacement Policy Analysis
6. Underwriting Analysis
7. Complaint Analysis

The review of these categories is accomplished through examination of producer files, claim files, Insurance Department complaint files, policy forms, endorsements and advertising materials. Each of these categories is examined for compliance with Department of Insurance rules and regulations and applicable State laws. The Market Conduct Examination did not examine compliance with the Uniform Disposition of Unclaimed Property Act, 765 ILCS 1025/1.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer but are not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claims surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure a methodical selection:

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois. New business listings were retrieved from Company records selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

Non-Forfeiture Analysis

Listings were requested of all annuity policies that were cash surrendered during the examination period. These listings were retrieved by a search of Illinois policies lapsed for nonpayment of premium or in which policyholders requested non-forfeiture option conversions.

Claims Analysis

Claim surveys were selected using the following criteria:

1. Paid Claims – Payments for coverage made during the examination period.
2. Denied Claims – Denial of benefits for losses not covered by policy provisions during the survey period.
3. Individual or Franchise Claims – Determine whether the contracts were issued to an individual or on a franchise basis.

All median payment periods were measured from the date all necessary proofs of loss were received to the date of payment or denial to the insured or the beneficiary.

This Market Conduct Examination did not examine:

- a. the Company's use of the Social Security Death Master File in connection with the Company's settlement practices, procedures and policy administration relating to claims, including the Company's efforts to identify the owners and Beneficiaries of proceeds, or
- b. compliance with the Uniform Disposition of Unclaimed Property Act, 765 ILCS 1025/1, et seq.

Policy Forms and Advertising Material Analysis

The Company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Replacement Policy Analysis

The Company was requested to provide listings of all annuity policies, both internal and external, transacted during the survey period. A sample of each category was compiled, and the policy files were requested for review to determine compliance with Department of Insurance Rules and Regulations and applicable State Laws.

Underwriting Analysis

Listings were requested of all annuity applications rejected by the company during the survey period. These listings were retrieved by a search of Illinois life applications submitted, but denied issuance by the company.

Department of Insurance Complaints

The Company was requested to provide all files relating to complaints which had been received via the Department of Insurance as well as those received directly by the Company from the insured or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response to the Department of Insurance.

The examination period for Department of Insurance complaints was July 2, 2008, through October 14, 2011.

This Market Conduct Examination did not examine:

- a. the Company's use of the Social Security Death Master File in connection with the Company's settlement practices, procedures and policy administration relating to claims, including the Company's efforts to identify the owners and Beneficiaries of proceeds, or
- b. compliance with the Uniform Disposition of Unclaimed Property Act, 765 ILCS 1025/1, et seq.

SELECTION OF SAMPLE

SURVEY	POPULATION	# REVIEWED	% REVIEWED
Producer Licensing and Production Analysis			
Terminated Producers	92	92	100
Producer Production	84/229	84/229	100
Non-Forfeiture Analysis			
Annuity Cash Surrender	336	89	26
Claims Analysis			
Annuity Death Settlements	76	76	100
Underwriting			
Declined Individual Annuity Applications	5	5	100
Policy Forms and Advertising Material Analysis			
Policy and Advertising Forms	109	109	100
Replacement Policy Analysis			
Replacements Annuity Internal & External	39	39	100
Complaint Analysis			
Department of Insurance Complaints	1	1	100
Consumer Complaints	1	1	100

IV. FINDINGS

A. Producer Licensing and Production Analysis

1. Terminated Producer Review

A review of 92 terminated producer files revealed no producers were terminated for a cause.

2. Producer Production

A review of 313 producer production files produced no criticisms.

B. Non-Forfeiture Analysis

1. Annuity Cash Surrenders

A review of 89 annuity cash surrender policy files produced no criticisms.

The median for surrender was one (1) day.

C. Claims Analysis.

1. Annuity Death Settlements

A review of 76 annuity death settlement files produced no criticisms.

The median for payment was one (1) day.

D. Underwriting Analysis

1. Declined Individual annuity Applications

A review of 5 declined individual annuity applications produced no criticisms.

The median for declination was thirty-eight (38) days.

E. Policy Forms and Advertising

1. Policy Forms and Advertising Review

A review of 109 policy forms and advertising materials produced no criticisms.

F. Replacement Policy Analysis

1. Internal and External Annuity Replacements

A review of 39 internal and external annuity replacement policy files produced no criticisms.

G. Complaint Analysis

1. Department of Insurance Complaints

A review of one (1) Department of Insurance complaint produced no criticisms.

The median for response could not be established.

2. Consumer Complaints

A review of one (1) consumer complaint file produced no criticisms.

The median for response could not be established.

V. TECHNICAL APPENDICES

None.



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

June 24, 2013

Chris Swickard
Vice President & Associate General Counsel
Security Benefit Life Insurance Company
One Security Benefit Place
Topeka, Kansas 66636-0001

Re: Market Conduct Examination of Security Benefit Life Insurance Company
NAIC #87068675

Dear Mr. Swickard:

This letter concerns the market conduct examination of Security Benefit Life Insurance Company (Security Benefit) for the period from July 1, 2010 through June 30, 2011. The examination report contained a criticism under 50 Ill. Adm. Code 3120.50(b) for, prior to the execution of a purchase, exchange or replacement of an annuity, failing to make a reasonable effort to obtain and retain suitability information that was the basis for the transaction.

The Department has considered Security Benefit's explanation along with the suitability materials provided in your April 2013 emails, and has decided to delete the criticism from the Examination Report. Since there is no longer a criticism, a Stipulation and Consent Order will not be necessary. A revised Examination Report is enclosed with this letter.

Accordingly, this Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132. Thank you for your assistance in resolving this matter.

Sincerely,

James C. Rundblom
Deputy General Counsel

Enclosure