

REPORT ON EXAMINATION
OF
SECURITY BENEFIT LIFE INSURANCE COMPANY
ONE SECURITY BENEFIT PLACE
TOPEKA, KANSAS
AS OF
DECEMBER 31, 2020

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Topeka, Kansas
June 22, 2022

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
1300 SW Arrowhead Rd
Topeka, Kansas 66604-4019

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222, an examination has been conducted of the financial condition and business affairs of:

SECURITY BENEFIT LIFE INSURANCE COMPANY

with its statutory home office and main administrative office at:

**ONE SECURITY BENEFIT PLACE
TOPEKA, KANSAS**

hereinafter referred to as the "Company" or "SBLIC". The following report on such examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiners have performed a multi-state financial examination of the Company, a Kansas domiciled life insurance company. The last examination covered the four-year period from January 1, 2014, through December 31, 2017. This examination covers the three-year period from January 1, 2018, through December 31, 2020.

The examination of SBLIC was part of a coordinated group examination with Kansas as the lead state and New York as a participating state in the examination of its domestic insurer, First Security Benefit Life Insurance and Annuity Company of New York ("FSBL").

The examination was conducted in accordance with the rules, regulations, and directives of the Kansas Insurance Department (“Department”) and the observed guidelines and procedures contained in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the examiners plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles.

Those activities considered in the examination as key or critical to SBLIC included Capital Management, Investments, Pricing, Related Parties, Reserving, Reinsurance and Separate Accounts. The examination also included a review and evaluation of information technology general controls.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, and general information about the insurer and its financial condition.

There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Independent Audit Reports

Financial statements of the Company were audited by Ernst & Young LLP of Kansas City, Missouri, for the years ending December 31, 2018, through December 31, 2020. In each of the years under examination, the auditors concluded that the financial statements of the Company present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Department.

The independent auditor's workpapers were reviewed and analyzed by the examiners. Significant reliance was placed on select workpapers during this examination.

Actuarial Review

The Company has appointed Duc X. Ho, FSA, MAAA, to perform a review of the Company's actuarial practices and reserves as of December 31, 2020. Mr. Ho's review consisted of evaluating assumptions, methodologies, and calculations utilized by the Company in its reserve setting process.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the examination.

COMPANY HISTORY

General

The Company was incorporated in 1892 as a fraternal benefit society under the name of "The National Council of the Knights and Ladies of Security." In 1919, the name was changed to "The Security Benefit Association." Effective January 2, 1950, the Association was reorganized into a mutual life insurance company and the name was changed to "Security Benefit Life Insurance Company." On July 31, 1998, the Company reorganized and converted to a stock life insurance company.

The Company is owned entirely by SBL Holdings, Inc. ("SBLH"), a holding company domiciled in the State of Kansas. SBLH is wholly owned by Security Benefit Corporation ("SBC").

Eldridge Industries, LLC ("Eldridge") is the indirect parent to SBLH. Eldridge is led by Mr. Todd Boehly, Chairman and CEO. Mr. Boehly is the ultimate controlling person. Prior to founding Eldridge, Mr. Boehly was the President of Guggenheim Partners.

Eldridge completed its acquisition of SBLIC in 2017 from Guggenheim SBC Holdings LLC.

Capital Stock

As of December 31, 2020, the Company had 1,000,000 shares of common stock with a par value of \$10 authorized, with 700,000 shares issued and outstanding. One hundred percent (100%) of the Company's stock was owned by SBLH.

Dividends and Capital Contributions

The Company paid the following ordinary dividends, (in 000s), to SBLH during the examination period:

<u>Year</u>	<u>Total</u>
2020	\$ 63,306
2019	50,000
2018	30,000
Total	<u>\$ 143,306</u>

Included in the ordinary dividends for the year ended December 31, 2020, was a non-cash dividend of \$13.306 million representing the Company's membership interest in its subsidiaries Dunbarre Insurance Agency, LLC and Genessee Insurance Agency, LLC. All other dividends were paid in cash.

The Company received the following capital contributions, (in 000s), from SBLH during the examination period:

<u>Year</u>	<u>Capital Contribution</u>
2020	\$ 328,000
2019	335,000
2018	300,000
Total	<u>\$ 963,000</u>

The Company made the following capital contributions, (in 000s), to Sixth Avenue Reinsurance Company ("SARC"), a wholly owned subsidiary, during the examination period. All contributions were payable at year end and paid in the subsequent year.

<u>Year</u>	<u>Capital Contribution</u>
2020	\$ 40,000
2019	30,000
2018	25,000
Total	<u>\$ 95,000</u>

Surplus Note

On October 1, 2003, the Company issued a \$100.0 million surplus note at 7.45% interest with a maturity date of October 1, 2033. The surplus note was issued pursuant to Rule 144A under the Securities Act of 1933. Morgan Stanley & Co. Inc. and Lehman Brothers Inc. were the underwriters and Bank of New York Mellon is the fiscal agent. Each payment of interest or principal on the surplus note may be made only with the prior approval of the Commissioner and only out of surplus funds that the Commissioner determines to be available for such payment under the Kansas Insurance Code. As of December 31, 2020, the outstanding carrying value of the surplus note was \$99.9 million.

Interest expense paid by the Company for the year ended December 31, 2020, was \$7.5 million. The Department approved all interest payments made during the examination period.

CORPORATE RECORDS

There were no amendments to the Company's articles of incorporation and bylaws during the examination period.

MANAGEMENT AND CONTROL

Stockholders

The Company's sole stockholder is SBLH.

Board of Directors

The Company's bylaws consist of seven (7) articles that provide the framework for the operation, management, and control of the Company. The Company is managed by a board of directors ("Board").

Pursuant to the Company's amended and restated bylaws, the Board shall consist

of not less than one (1) director nor more than seven (7) directors. The Board members are to be elected at the annual meeting of stockholders. The Board members elected and serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Position Held</u>
Michael P. Kiley	Chief Executive Officer, SBLIC
Douglas G. Wolff	President, SBLIC
John F. Guyot	Senior Vice President, General Counsel, Secretary, SBLIC
Barry G. Ward	Senior Vice President, Chief Financial Officer, Chief Risk Officer, Treasurer, SBLIC
Roger S. Offermann	Senior Vice President, Chief Actuary, SBLIC
Joseph W. Wittrock	Senior Vice President, Chief Investment Officer, SBLIC

Committees

The Company's bylaws indicate that the Board may appoint an executive committee and other committees as it may see fit. The Board has established an Investment Committee.

The following is a listing of directors elected to serve on the Investment Committee as of December 31, 2020:

<u>Name</u>	<u>Position Held</u>
Michael P. Kiley	Chief Executive Officer, SBLIC
Roger S. Offermann	Senior Vice President, Chief Actuary, SBLIC
Douglas G. Wolff	President, SBLIC
Barry G. Ward	Senior Vice President, Chief Financial Officer, Chief Risk Officer, SBLIC
Joseph W. Wittrock	Senior Vice President, Chief Investment Officer, SBLIC

The Audit Committee of SBC serves as the Audit Committee for SBLIC. It is chaired by SBC's independent Board member, Wayne Diviney, who is the sole member of the committee. Mr. Diviney is the Chief Financial Officer and Managing Member of The Sail Time Group, LLC.

Officers

Pursuant to the bylaws, the Company will have a Chairman of the Board, a President, one (1) or more Senior Vice Presidents, a Treasurer, a Secretary, an Actuary, and such other officers as the Board may determine. Any two (2) or more offices may be held by the same person. The elected officers of the Company are elected by the Board at the annual meetings of the Board.

The officers elected and serving as of December 31, 2020, were as follows:

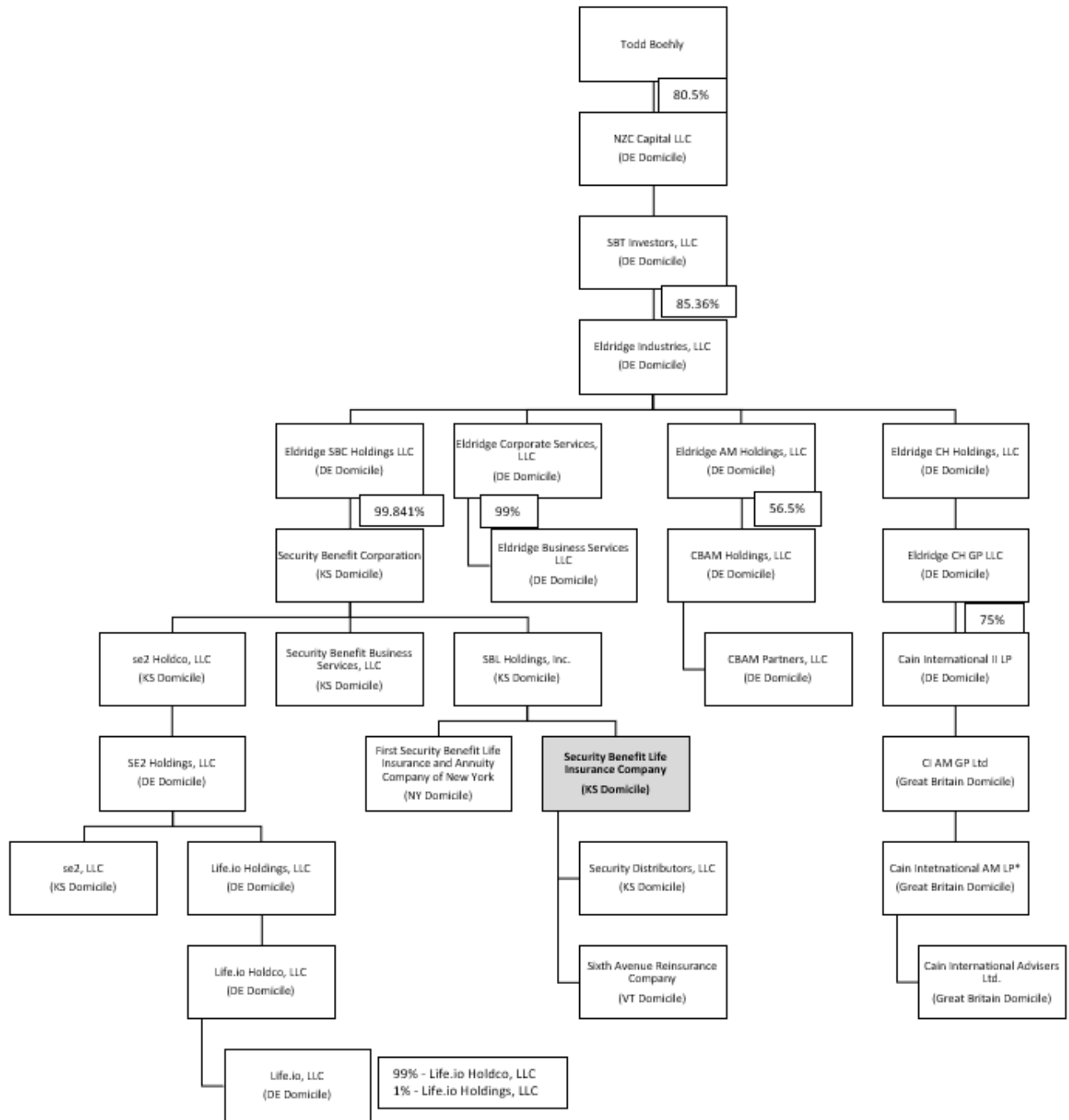
<u>Name</u>	<u>Position(s) Held</u>
Michael P. Kiley	Chairman and Chief Executive Officer
Douglas G. Wolff	President
John F. Guyot	Senior Vice President, General Counsel and Secretary
Barry G. Ward	Senior Vice President, Chief Financial Officer, Chief Risk Officer and Treasurer
Roger S. Offermann	Senior Vice President and Chief Actuary
Joseph W. Wittrock	Senior Vice President and Chief Investment Officer

INSURANCE HOLDING COMPANY SYSTEM

K.S.A. 40-3305 requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance. The Company has submitted Forms “B” and “C” registration statements to the Department for each of the years under examination. A review of the registration statements indicated that the items and events pertaining to the Company were properly reported as required by statute.

The simplified organizational chart on the following page illustrates the identities and intercompany relationships among insurance and non-insurance companies and the controlling entities thereof, as of December 31, 2020. Also included is the state of domicile for each entity. A complete organizational chart as of December 31, 2020, is included in the statutory financial statements filed by the Company with the Department. Mr. Todd Boehly, an individual, is the ultimate controlling person within the holding company system. See the Intercompany/Cost Sharing Agreements section below for a description of significant related party transactions.

Simplified organizational chart as of December 31, 2020



Unless otherwise noted, ownership percentage is 100%

* 100% control through General Partner

Intercompany/Cost Sharing Agreements

There are numerous transactions between the Company and entities related to the Company. Below is a summary of related party agreements and investment-related transactions considered significant that are not otherwise discussed in the examination report. The affiliated relationships discussed below are illustrated in the complete organizational chart included in the statutory financial statements filed by the Company with the Department as of December 31, 2020.

Services Agreements

Security Benefit Business Services, LLC (“SBBS”): Effective July 1, 2018, SBLIC entered into an Intercompany Services Agreement with its affiliate, SBBS, under which SBBS provides certain management and administrative services to SBLIC. The agreement was approved by the Department on October 19, 2018. SBLIC incurred \$126.7, \$135.5, and \$157.4 million for such services during 2018, 2019 and 2020, respectively.

Eldridge Business Services, LLC (“EBS”): Effective December 29, 2017, SBLIC entered into an Amended and Restated Services Agreement with EBS amending and restating the Services Agreement originally effective January 1, 2017. Subsequent to the examination period, the Amended and Restated Services Agreement was replaced by the Second Amended and Restated Services Agreement with an effective date of November 1, 2020. Under the agreement, EBS provides investment services and business development services related to investment strategy, asset origination, developing new and differentiated products, enhancing existing or developing new marketing and distribution strategies, and assisting in capital planning and rating agency

support. During 2018, 2019 and 2020, SBLIC paid EBS \$42.9, \$48.5 and \$55.5 million, respectively, for investment services and \$51.0, \$52.0 and \$53.1 million, respectively, for business development services.

SE2 LLC (“SE2”): SBLIC has entered into a Master Services Agreement (“MSA”) with SE2 under which SE2 provides policy administration and other services to SBLIC. The MSA was approved by the Department on September 1, 2009 and has subsequently been amended a number of times. During 2018, 2019 and 2020, SBLIC paid SE2 \$17.3, \$16.7 and \$20.2 million, respectively, for services under the MSA.

Reinsurance

See the Reinsurance section for a summary of the reinsurance agreements between SBLIC and its wholly owned subsidiary, SARC, and between SBLIC and its affiliate, First Security Benefit Life Insurance and Annuity Company of New York.

Tax Allocation Agreement

SBLIC and certain affiliates are parties to a Tax Allocation Agreement under which a consolidated tax return is filed for such affiliates, and SBC collects or refunds taxes to each affiliate as determined in accordance with the method prescribed in the Tax Allocation Agreement.

Investment Related Transactions

Short-Term Promissory Notes: As of December 31, 2020, SBLIC reported short-term promissory notes with thirteen (13) affiliates with a book/adjusted carrying value of \$1,358.2 million. Interest rates ranged from 2.22% to 11.57% and maturity dates ranged from January 2021 through December 2021.

As of December 31, 2020, the Company had the following material short-term promissory notes with affiliates.

Affiliate	Book/ Adjusted Carrying Value (in 000s)
Chain Bridge Opportunistic Funding Holdings, LLC	\$ 302,000
Chesney Park, LLC	229,000

Commercial Mortgage Loans: As of December 31, 2020, SBLIC reported commercial mortgage loans with eighteen (18) affiliates with a book/adjusted carrying value of \$516.7 million. Interest rates ranged from 4.75% to 12.25% and maturity dates ranged from March 2021 through December 2029. As of December 31, 2020, no individual commercial mortgage loan exceeded 0.5% of net admitted assets.

Collateral Loans: As of December 31, 2020, SBLIC reported collateral loans with twenty-five (25) affiliates with a book/adjusted carrying value of \$4,729.1 million. Interest rates ranged from 4.25% to 11.00% and maturity dates ranged from January 2021 through June 2030. As of December 31, 2020, the Company had the following material collateral loans with affiliates.

Affiliate	Book/ Adjusted Carrying Value (in 000s)
Arch Portfolio Trust, LLC	\$ 238,000
Canon Portfolio Trust, LLC	262,996
Collins Park, LLC	264,437
Mason Portfolio Trust, LLC	239,000
Mayfair Portfolio Trust, LLC	215,000
Original Narrative Library, LLC	210,900
Palmer Portfolio Trust, LLC	258,000
Pd Holdings, LLC	265,000
Putnam Asset Holdings, LLC	261,000
Ridge Media Holdings, LLC	256,900
Steamboat Portfolio Trust, LLC	254,000
Three L Finance Holdings, LLC	226,967
Wanamaker Portfolio Trust, LLC	265,000

Long-Term Promissory Notes: As of December 31, 2020, SBLIC reported long-term promissory notes with nine (9) affiliates with a book/adjusted carrying value of \$2,520.8 million. Interest rates ranged from 1.44% to 12.00% and maturity dates ranged from September 2021 through April 2031. As of December 31, 2020, the Company had the following material long-term promissory notes with affiliates.

Affiliate	Book/ Adjusted Carrying Value (in 000s)
Banner Creek Bridge, LLC	\$ 386,000
Cain International LP	878,603
CBAM CLO Management, LLC	267,594
DCP Rights, LLC	495,019
Mirror Media IP Holdings, LLC	295,450

Affiliated Common Stock: The Company's investment in SARC reflects a departure from the NAIC statutory accounting practices and procedures (e.g., permitted or prescribed practices).

SARC, with permission from the Vermont Department of Financial Regulation, has obtained a permitted practice to account for the excess of loss reinsurance agreement with its reinsurance counterparty as an admitted asset to the extent of the difference between the reserves held by SARC (i.e., those reserves held in the funds withheld account) and those required by statutory accounting principles adopted by the state of Vermont. The monetary effect on net income and surplus as a result of using an accounting practice that differs from NAIC statutory accounting practice and procedures, the amount of the investment in the insurance Subsidiary, Controlled and Affiliates (SCA) per statutory equity and amount of the investment in the insurance SCA had the Company completed its statutory financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual* are in the table below:

Investment in Insurance SCA Entity	Monetary Effect on NAIC SAP (in 000s)		Amount of Investment (in 000s)	
	Net Income Increase (Decrease)	Surplus Increase (Decrease)	Per Statutory Equity	If the Insurance SCA Had Completed Statutory Financial Statements*
Sixth Avenue Reinsurance Company	\$ -	\$ 615,085	\$ 26,935	\$ (588,150)

* Per NAIC *Accounting Practices and Procedures Manual* (without permitted or prescribed practice).

The Risk-Based Capital of SARC would have triggered a regulatory event had it not used the permitted practice.

Affiliated Collateral Managers: The Company holds investments, either directly or indirectly, in certain securitizations in which affiliated parties act as collateral managers. The repayment of these investments is dependent upon the performance of the

borrowers of the underlying assets held by the securitization vehicle. The borrowers are not affiliated with the Company and the Company does not have recourse to the affiliated collateral manager in the case of non-performance of the unaffiliated borrower. The total carrying value of these investments was \$6,102.6 million as of December 31, 2020.

The affiliated collateral managers earn fees for such services. The Company is not directly liable for such fees, but, insofar as the Company directly or indirectly owns any portion of the most subordinate or residual tranche of a securitization, the Company may be considered to bear a portion of such fees indirectly. The aggregate of such portions of such fees borne by the Company indirectly for periods in which any such manager was an affiliated or related party was \$49.0 million for the year ended December 31, 2020.

Non-Schedule Y Related Party Investments: The Company reported the following material outstanding balances with non-Schedule Y related party entities as of December 31, 2020.

Non-Schedule Y Related Party	Book/ Adjusted Carrying Value (in 000s)
American Media & Entertainment, LLC	\$ 203,560
American Media Productions LLC	410,393
BH Luxury Residences, LLC	455,819
Kennedy-Wilson Holdings Inc.	204,721
LAISAH, LLC	446,011
Medford Funding DAC	214,184
Oasis BH, LLC	306,653
	<u>\$ 2,241,341</u>

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company is authorized to transact business in forty-nine (49) states (excluding New York) and the District of Columbia. The NAIC Schedule T Exceptions Report was reviewed for each of the states where the Company is licensed. No exceptions were noted.

As of December 31, 2020, the Company's largest lines of business were individual annuities consisting of fixed, indexed and variable annuity products at 98.6% of direct premiums written. The remaining 1.4% represented group annuities and ordinary life business.

The Company also maintains multiple separate accounts for the benefit of its variable life, variable annuity and certain fixed annuity contract holders, and certain funding agreements. The separate accounts were established in conformity with K.S.A. 40-436. Under the applicable insurance law, the assets and liabilities of the separate accounts were distinguished from the Company's other assets and liabilities.

SELECT FINANCIAL INFORMATION

The exhibit below shows the Company's financial results for the period of December 31, 2018, through December 31, 2020. The financial amounts, including the Separate Account, were obtained from the annual statements filed by the Company.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<i>(\$000 omitted)</i>			
Admitted Assets	\$33,538,590	\$36,450,727	\$40,663,801
Liabilities	31,140,511	33,418,965	37,154,113
Capital and Surplus	2,398,079	3,031,762	3,509,688
Net Income	272,198	216,518	426,319
Net Premiums Written	1,985,949	2,767,319	4,450,703

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000 omitted)

Premium Type	2018	2019	2020
Direct Written Premium	\$ 2,029,247	\$ 2,816,855	\$ 4,501,335
Reinsurance Assumed	11,272	8,963	10,329
Reinsurance Ceded	54,570	58,499	60,962
Net Premiums Written	<u>\$ 1,985,949</u>	<u>\$ 2,767,319</u>	<u>\$ 4,450,703</u>

All reinsurance agreements reviewed during the course of the examination contained insolvency and cancellation clauses as required by K.S.A. 40-221a. All reinsurance agreements reviewed provided for the transfer of risk.

During the examination period, the Company entered into or had in-force the following significant reinsurance contracts.

Assumed Business

Affiliated

Effective October 1, 2004, the Company entered into a 100% coinsurance agreement with its affiliate, FSBL. Under this contract, the Company assumes the insurance risk of certain living benefit riders issued by FSBL on its variable annuity policies, namely the Guarantee Minimum Income Benefit and Guaranteed Minimum Withdrawal Benefit riders. As of December 31, 2020, the Company maintained \$1.8 million in assumed reserves.

Non-Affiliated

In 2000, SBL was selected by the National Education Association (“NEA”) to become the exclusive provider of annuities, mutual funds and other retirement products to NEA members under the NEA’s Valuebuilder program. In connection with such selection, an existing block of Valuebuilder business was assumed by the Company from Nationwide Life Insurance Company, effective July 1, 2000, amounting to 57,000 accounts and \$860.0 million in assets. As of December 31, 2020, the Company maintained \$93.4 million in assumed reserves on a coinsurance basis and \$394.9 million in assumed reserves on a modified coinsurance basis for this book of business.

Effective December 31, 2003, the Company entered into a 100% modified coinsurance agreement with United of Omaha Life Insurance Company (“UOLIC”) and Companion Life Insurance Company of New York (“CLICNY”). Under this contract, the Company assumed \$86.0 million of fixed annuity and life contracts on a 100% coinsurance basis and \$648.0 million of variable annuity and life insurance on a 100% modified coinsurance basis. As of December 31, 2020, the Company maintained \$32.3 million in reserves and \$166.1 million in modified coinsurance reserves on business assumed from UOLIC and \$1.1 million in reserves and \$4.9 million in modified coinsurance reserves on business assumed from CLICNY.

Ceded Business

Affiliated

Effective January 1, 2018, SBLIC entered into a 100% coinsurance agreement with its wholly owned affiliate, SARC, whereby the Company cedes 100% of the payment obligation under guaranteed lifetime withdrawal benefits (“GLWB”) provided under

certain of its annuity contracts, typically through an optional rider. SARC's obligation under the reinsurance agreement is to make GLWB payments when the account value of the corresponding annuity contract under which the GLWB rider was issued is reduced to zero. Reserve credits taken are secured by a funds withheld liability recorded by the Company and an excess of loss reinsurance agreement between SARC and a United States domiciled professional reinsurance company which represents a form of security acceptable to the Commissioner. As of December 31, 2020, the ceded reserves amounted to \$518.5 million with \$35.8 million in funds withheld.

During the second quarter of 2020, the Company stopped offering GLWB riders on substantially all products, including all products subject to this reinsurance agreement.

Non-Affiliated

Effective December 31, 2012, the Company entered into a 100% coinsurance agreement with Heritage Life Insurance Company whereby the Company ceded 100% of annuity contracts issued by the Company on contract forms described in the agreement. Pursuant to the agreement, the Company ceded \$1,691.0 million in reserves and \$1,645.3 million in premium in 2012. As of December 31, 2020, the ceded reserves amounted to \$799.9 million and \$10.4 million in premiums.

On August 1, 2012, the Company entered into an indemnity retrocession agreement with Guggenheim Life and Annuity Company ("GLAC"), a former affiliate, whereby GLAC reinsured the individual fixed annuity contracts the Company originally assumed from Industrial Alliance Insurance and Financial Services, Inc. Under the retrocession agreement the Company recorded as of December 31, 2020, \$364.5 million

in ceded reserves with \$117.2 million in funds withheld.

Effective October 1, 2007, the Company entered into a modified coinsurance reinsurance agreement with Union Hamilton Reinsurance Ltd., whereby it ceded 85% of its AdvisorDesigns Separate Account products which included variable annuities and riders. The reinsurer is unauthorized, and a trust for the sole benefit of the Company was established. As of December 31, 2020, the ceded reserves on this book of business were \$50.2 million with a modified coinsurance ceded reserve of \$165.1 million.

In 1995 and 1997, the Company entered into 100% coinsurance treaties with Liberty National Life Insurance Company and Kansas City Life Insurance Company, respectively, to cede its remaining blocks of ordinary life insurance. As of December 31, 2020, the ceded reserves on these books of business were \$417.1 million and \$149.2 million, respectively.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. Any accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the Annual Statement and should be considered an integral part of the financial statements.

SECURITY BENEFIT LIFE INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2020

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$22,807,505,218	\$ -	\$22,807,505,218
Preferred stocks	622,773,482	-	622,773,482
Common stocks	121,618,522	-	121,618,522
Mortgage Loans on Real Estate: First Liens	1,236,437,912	-	1,236,437,912
Real Estate: Properties occupied by Company	24,716,735	-	24,716,735
Cash, cash equivalents and short-term investments	2,475,860,651	-	2,475,860,651
Contract Loans	46,408,104	-	46,408,104
Derivatives	289,107,158	501,335	288,605,823
Other invested assets	6,478,017,693	-	6,478,017,693
Receivables for securities	42,231,962	-	42,231,962
Aggregate write-ins: invested assets	40,817,326	-	40,817,326
Investment income due & accrued	403,183,759	-	403,183,759
Uncollected premiums and agents' balances in course of collection	1,366	-	1,366
Deferred premiums	15	-	15
Amounts recoverable from reinsurers	380,065	380,065	-
Funds held by or deposited with reinsurers	2,913,668	-	2,913,668
Other amounts receivable under reinsurance contracts	8,868,679	-	8,868,679
Current federal and foreign income tax recoverable and interest thereon	41,463,289	-	41,463,289
Net deferred tax asset	159,751,409	11,423,138	148,328,271
Guaranty funds receivable or on deposit	78,982	-	78,982
Electronic data processing equipment and software	520,615	520,615	-
Furniture and equipment	161,456	161,456	-
Receivables from parent, subsidiaries and affiliates	3,341,314	-	3,341,314
Aggregate write-ins: other than invested assets	75,315,343	5,510,012	69,805,331
Total assets excluding Separate Accounts	34,881,474,723	18,496,621	34,862,978,102
From Separate Accounts	5,800,823,174	-	5,800,823,174
Total	<u>\$40,682,297,897</u>	<u>\$ 18,496,621</u>	<u>\$40,663,801,276</u>

SECURITY BENEFIT LIFE INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2020

Aggregate reserves for life contracts	\$29,122,642,733
Aggregate reserve for accident and health contracts	4,496
Liability for deposit-type contracts	508,971,405
Contract claims: Life	1,636,751
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	1,315,735
Interest Maintenance Reserve	206,603,236
Commissions to agents due or accrued	8,845,610
Commissions and expense allowances payable on reinsurance assumed	8,993
Transfers to Separate Accounts due or accrued (net)	(14,164,110)
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,095,738
Amounts withheld or retained by reporting entity as agent or trustee	503,937,068
Remittances and items not allocated	16,319,133
Miscellaneous liabilities:	
Asset valuation reserve	644,512,602
Funds held under reinsurance treaties with unauthorized and certified reinsurers	35,831,827
Payable to parent, subsidiaries and affiliates	23,430,436
Funds held under coinsurance	117,228,473
Derivatives	24,781,391
Payable for securities	17,115,446
Aggregate write-ins for liabilities	133,173,252
Total liabilities excluding Separate Accounts business	<u>31,353,290,215</u>
From Separate Accounts statement	<u>5,800,823,174</u>
Total liabilities	37,154,113,389
Common capital stock	7,000,130
Surplus notes	99,902,065
Gross paid in and contributed surplus	2,616,895,591
Aggregate write-ins for special surplus funds	900,000
Unassigned funds (surplus)	784,990,231
Less treasury stock at cost: common shares	130
Surplus	<u>3,502,687,757</u>
Totals	<u>3,509,687,887</u>
Total liabilities, surplus and other funds	<u>\$40,663,801,276</u>

SECURITY BENEFIT LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

Premiums and annuity considerations for life and accident and health contracts	\$ 4,450,702,827
Considerations for supplementary contracts with life contingencies	6,717
Net investment income	1,754,556,351
Amortization of Interest Maintenance Reserve	26,072,624
Commissions and expense allowances on reinsurance ceded	3,006,910
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	50,681,420
Aggregate write-ins for miscellaneous income	<u>269,032,953</u>
Totals	<u>6,554,059,802</u>
Death benefits	92,828
Annuity benefits	372,335,007
Disability benefits and benefits under accident and health contracts	3,346
Surrender benefits and withdrawals for life contracts	1,796,644,462
Interest and adjustments on contract or deposit-type contract funds	19,353,966
Increase in aggregate reserves for life and accident and health contracts	<u>3,344,799,542</u>
Totals	5,533,229,151
Commissions on premiums, annuity considerations and deposit-type contract funds	455,340,053
Commissions and expense allowances on reinsurance assumed	2,309,026
General insurance expenses and fraternal expenses	223,917,956
Insurance taxes, licenses and fees, excluding federal income taxes	2,258,274
Increase in loading on deferred and uncollected premiums	(233)
Net transfers to or (from) Separate Accounts net of reinsurance	(312,521,840)
Aggregate write-ins for deductions	<u>100,093,067</u>
Totals	<u>6,004,625,454</u>
Net gain from operations before dividends to policyholders refunds to members and federal income taxes	549,434,348
Dividends to policyholders	<u>-</u>
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	549,434,348
Federal and foreign income taxes incurred	<u>115,768,204</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	433,666,144
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax	<u>(7,347,067)</u>
Net Income	<u>\$ 426,319,077</u>

**SECURITY BENEFIT LIFE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION**

	2018	2019	2020
Surplus as regards			
policyholders, prior year	\$ 1,900,626,588	\$ 2,398,079,269	\$ 3,031,761,918
Net income	272,198,254	216,517,651	426,319,077
Change in net unrealized			
capital gains (losses)	(13,830,310)	(23,006,099)	54,152,565
Change in net unrealized foreign			
exchange capital gain (loss)	38,548,876	(19,834,964)	10,355,108
Change in net deferred income tax	17,073,846	103,528,256	22,068,634
Change in nonadmitted assets	2,803,858	(10,735,333)	(1,116,143)
Change in reserve on account of change			
in valuation basis, (increase)	-	-	(129,555,353)
Change in asset valuation reserve	(83,740,333)	85,637,079	(167,410,078)
Change in surplus notes	7,534	7,533	7,533
Surplus adjustment: Paid in	300,000,000	335,000,000	328,000,000
Surplus adjustment: Change in surplus			
as a result of reinsurance	(5,609,044)	(3,431,474)	(1,588,769)
Dividends to stockholders	(30,000,000)	(50,000,000)	(63,306,604)
Surplus as regards			
policyholders, current year	<u>\$ 2,398,079,269</u>	<u>\$ 3,031,761,918</u>	<u>\$ 3,509,687,887</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company as of December 31, 2020, was \$3,502,687,757, which was the same amount reported by the Company in its 2020 filed Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

Note 1 – Investments in Preferred Stocks

K.S.A. 40-2b06 provides qualifications that must be met in order for an investment to be considered an admitted asset. One of those qualifications is that “the corporation issuing [the preferred or guaranteed stock] must have been in existence for a period of not less than five years” [K.S.A. 40-2b06(e)]. As of December 31, 2020, the Company’s

preferred stock holdings of Horizon Sponsor, LLC in the amount of \$150.0 million and Horizon II Sponsor, LLC in the amount of \$150.0 million (collectively the Horizon entities) were not in compliance with K.S.A. 40-2b06(e) as the Horizon entities were both incorporated in 2020.

At December 31, 2020, the Company's holdings in the Horizon entities in the total amount of \$300.0 million were not authorized investments under K.S.A. 40-2b06 and were not designated as leeway assets under K.S.A. 40-2b13.

The Company could have designated the Horizon entities preferred stock as leeway assets under K.S.A. 40-2b13 as of December 31, 2020.

K.S.A. 40-2b06 was amended in 2022 by the passage of SB 336 by the Kansas legislature to remove the requirement the issuing corporation be in existence for five years.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2020, 2021 and into 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review noted that there has not been a significant impact to the Company. However, the Department will continue to closely monitor the impact of the pandemic on the Company and will take necessary action if concerns arise.

Effective November 30, 2021, the Company entered into an agreement to cede certain fixed annuity ("FA") and fixed index annuity ("FIA") liabilities to SkyRidge Re Limited ("SkyRidge"), an insurance company licensed in Bermuda. The liabilities subject to the agreement are (i) liabilities on policies in-force as of November 30, 2021 and (ii)

liabilities on policies as they are written through 2023. The amount ceded to SkyRidge at closing was \$4.8 billion. The policies reinsured by SkyRidge represented reserves of \$4.9 billion as of December 31, 2021. The Company expects approximately \$4 billion of additional liabilities to be ceded for 2022 and 2023 representing 50% of certain FIA and FA sales.

Effective December 31, 2021, the Company entered into an assumption reinsurance agreement with National Guardian Life Insurance Company. Under the agreement, the Company assumed blocks of life and annuity policies. The policies reinsured by the Company represent reserves of approximately \$379.2 million as of December 31, 2021.

The Company received a \$200 million capital contribution from SBLH during 2021. Additionally, the Company had a capital contribution receivable for \$300 million from SBLH as of December 31, 2021, which was subsequently paid in February of 2022.

The Company had a capital contribution payable to its wholly owned subsidiary, SARC, of \$25 million as of December 31, 2021, which was subsequently paid in February of 2022.

On March 17, 2022, Chief Executive Officer Michael Kiley publicly announced he is retiring effective June 30, 2022. Mr. Kiley will remain on the Board and continue to serve as Chairman of the Board. Douglas Wolff, President, will replace Mr. Kiley as CEO effective June 30, 2022.

SUMMARY OF RECOMMENDATIONS

Investment in Preferred Stocks

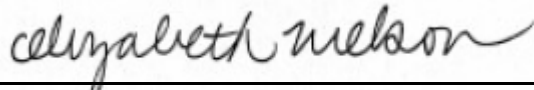
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The Department recommends that the Company revise the 2020 Leeway Clause Form in order to designate the Horizon entities preferred stock investments as leeway assets under K.S.A. 40-2b13.

CONCLUSION

The assistance and cooperation by the officers of the Company during this examination is hereby acknowledged and appreciated. In addition to the undersigned, Jim Hattaway, CFE, CIE, AMCM, ARC, CIA, Examination Supervisor; Joseph DeVries, CFE, CPA, Senior Examiner; Sharon Riley, CISA, CGEIT, AIRC, IT Examiner; Carol Riley, AES, CISA, CGEIT, CRISC, IT Examiner; Jim Ryan, CFE, CPA, ARA, ARe, Reinsurance Specialist, and Steve Hazelbaker, CPA, FLMI, ERM/ORSA Specialist, all of whom are Noble Consulting Services, Inc. associates; Marc Altschull, FSA, MAAA, Larry Seller, FSA, MAAA, and Max Rudolph, FA, MAA, Actuarial Specialists, of Actuarial Risk Management; and Greg Hahn, CFA, Investment Specialist, of Winthrop Capital Management participated in this examination.

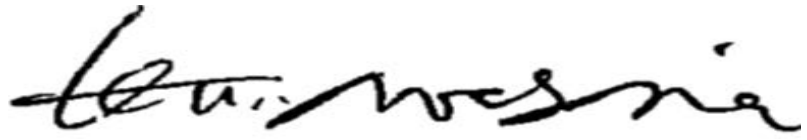
Respectfully submitted,



Elizabeth Nielson, CPA, CFE
Examiner-in-Charge
Noble Consulting Services, Inc., representing
the Kansas Insurance Department

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed except where practices, procedures and applicable regulations of the Department and statutes of the State of Kansas prevailed.

A handwritten signature in black ink, reading "Levi Nwasoria". The signature is written in a cursive style with a horizontal line underneath it.

Levi Nwasoria, CPA, CFE
Chief Examiner
Kansas Insurance Department

EXHIBIT S
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

State of Arizona,

County of Maricopa,

Elizabeth Nielson, being duly sworn, states as follows:

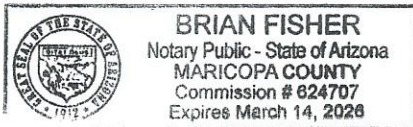
1. I have authority to represent the Kansas Insurance Department in the examination of Security Benefit Life Insurance Company.
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Security Benefit Life Insurance Company was performed in a manner consistent with the standards and procedures required by K.S.A 40-222.

The affiant says nothing further.

Elizabeth Nielson
Examiner's Signature

Subscribed and sworn before me by Elizabeth Nielson on this 30th day of June, 2022.

(SEAL)



Brian Fisher
Notary Public

My commission expires 3-14-26 [date].