

REPORT ON EXAMINATION
OF
SECURITY BENEFIT LIFE INSURANCE COMPANY
ONE SECURITY BENEFIT PLACE
TOPEKA, KANSAS 66636
AS OF
DECEMBER 31, 2017

FILED

JUN 28 2019

VICKI SCHMIDT
Commissioner of Insurance

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Topeka, Kansas
May 24, 2019

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
420 SW 9th Street
Topeka, Kansas 66612-1678

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222 – *Examination of condition of company*, 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 66636**

hereinafter referred to as “the Company” or “SBL”. The following report on such examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiners have performed a multi-state financial examination of Security Benefit Life Insurance Company, a Kansas domiciled life insurance company, in accordance with K.S.A. 40-222. The last examination covered the four-year period from January 1, 2010, through December 31, 2013. This examination covers the four-year period from January 1, 2014, through December 31, 2017.

The examination was conducted in accordance with the rules, regulations and directives of the Kansas Insurance Department and the observed guidelines and

procedures contained in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires 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. 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 will be documented separately following the Company’s financial statements.

The examination report, per the Handbook, is to include significant findings of fact, if any, 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 for the years ending December 31, 2014, through December 31, 2017. In each of the years under examination, the auditors concluded that the financial statements present fairly, in all material respects, the admitted assets, liabilities and policyholders’ surplus of the

Company as of December 31, 2017 and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the Kansas Insurance Department.

The independent auditor's work papers were reviewed and analyzed by the examiners; whereby significant reliance was placed on select work papers during the course of this examination.

SUMMARY OF SIGNIFICANT FINDINGS

There were no changes made to the Financial Statements as a result of this Examination.

COMPANY HISTORY

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 under the provisions of K.S.A. 40-401 — *Formation of company on stock or mutual plan* and 40-501, *et seq.* — *Mutual life insurance companies*, whereby 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. From this conversion, the articles of incorporation provide authorization to issue 1,000,000 shares of common stock at \$10 par value. As of December 31, 2009, 700,013 shares were issued and outstanding. Of that amount, 700,000 shares have been issued to Security Benefit Corporation ("SBC"), with the remaining thirteen (13) shares held as treasury stock. Security Benefit Mutual Holding

Company (“SBMHC”), a Kansas domiciled mutual holding company, ultimately controlled the Company as of December 31, 2009. SBMHC's membership consisted of the Company's policyholders as of July 31, 1998, who maintained an in-force policy and persons who acquired and maintained a policy after that date. SBMHC held 1,000 shares of Class B shares in SBC, a Kansas domiciled intermediate stock holding company, which in turn owned the Company. The provisions of K.S.A. 40-4001, *et seq.* — *Conversion of domestic mutual insurer into domestic stock insurer* required that SBMHC, at all times, own directly, or indirectly, at least 51% of the voting shares of SBC.

On February 15, 2010, SBMHC, the ultimate parent of the Company, entered into a definitive agreement with Guggenheim SBC Holdings LLC (“Guggenheim SBC”), whereby, subject to certain conditions, Guggenheim SBC agreed to purchase all the outstanding stock of SBC, the direct parent of the Company and, following such sale, SBMHC demutualized and liquidated. The transaction required, among other things, certain regulatory approvals, approval by the members of SBMHC, and approval by the boards of directors and shareholders of the mutual funds and exchange traded funds sponsored and advised by affiliates of SBMHC. All regulatory approvals were obtained and the transaction closed on July 30, 2010, following which SBMHC was dissolved and liquidated.

On January 9, 2015, the Form A Statement Regarding the Acquisition of Control of a Domestic Insurer was submitted for Kansas’ approval for acquisition by the current structure as provided below in the organizational chart in the “Insurance Holding Company System” section. On January 31, 2017, the transaction was effected and SBC contributed all outstanding shares of its common stock in the Company to SBL Holdings, Inc., which converted to a Kansas limited liability company effective February 22, 2017

("SBLH"). The Company is owned entirely by SBLH, a Kansas domiciled entity, which is wholly owned by SBC.

Dividends and Capital Contributions

On May 27, 2014, SBL paid a dividend to its parent, SBC, in the amount of \$118,400,000. There were no dividends paid in 2015 or 2016. In 2017, SBL paid a cash dividend to its parent, SBLH in the amount of \$20,000,000. All dividend payments during the examination period were considered "ordinary" and therefore, did not require regulatory approval by the Kansas Insurance Department.

In March 2015, the Company received cash in the amount of \$400,000,000 from SBC which was recorded as a capital contribution receivable as of December 31, 2014. In February 2017, the Company received cash in the amount of \$450,000,000 from SBLH which was recorded as a capital contribution receivable as of December 31, 2016. In November 2017, the Company received cash in the amount of \$200,000,000 from SBLH which was recorded as a capital contribution receivable as of September 30, 2017. All capital contributions were approved by the Kansas Insurance Department as required by Statement of Statutory Accounting Principles (SSAP) No. 72 – *Surplus and Quasi-Reorganizations*.

Surplus Note

On October 1, 2003, the Company issued a \$100,000,000 surplus note at 7.45% interest with a maturity date of October 1, 2033. At December 31, 2017, the surplus notes outstanding carrying value was \$99,879,465, and the Kansas Insurance Department approved all interest payments made during the examination period.

MANAGEMENT AND CONTROL

The minutes of the meeting of the stockholder and the board of directors (“Board”) adequately approved and supported the Company’s transactions and events. Minutes of the various committees were reviewed for decisions made or actions taken on behalf of the Company.

Article III of the amended and restated bylaws provides “Subject to the limitations of the Articles of Incorporation and these bylaws, and of any statutory provisions as to action to the authorized or approved by stockholders, the management of all the affairs, property and business of the Corporation shall be vested in and exercised by, or under the direction of, the board of directors.” This article also states that the Board shall consist of not less than one (1) director nor more than six (6) directors, and further states: “The board of directors shall be elected at each annual meeting of stockholders.”

The following is a listing of directors elected to serve in that capacity as of December 31, 2017.

<u>Individual</u>	<u>Position Held / Company</u>
John Forrest Guyot Lawrence, Kansas	Senior Vice President, General Counsel, and Secretary Security Benefit Life Insurance Company
Michael Patrick Kiley Holmdel, New Jersey	Chairman and Chief Executive Officer Security Benefit Life Insurance Company
Joseph William Wittrock Topeka, Kansas	Senior Vice President and Chief Investment Officer Security Benefit Life Insurance Company
Roger Scott Offermann Topeka, Kansas	Senior Vice President and Chief Actuary Security Benefit Life Insurance Company

Barry Gordon Ward
Lawrence, Kansas

Senior Vice President, Chief Financial Officer, Chief
Risk Officer and Treasurer
Security Benefit Life Insurance Company

Douglas Glen Wolff
Lawrence, Kansas

President
Security Benefit Life Insurance Company

The Company's amended and restated bylaws provide that the Board "...may from time to time appoint an executive committee and other committees with such powers as it may see fit, subject to such conditions as may be prescribed by the board. All committees so appointed shall report their acts and doings to the board of directors at the next meeting."

In 2007, the Board of the Company formed an Investment Committee to perform regular reviews of the Company's investment activity, monitor and review the performance of the Company's investments, regularly review the Company's investment policy statement, make reports to the board and perform such other duties as are designated by the board.

The following is a listing of directors elected to serve on the Investment Committee as of December 31, 2017:

Joseph William Wittrock, Chairman
Michael Patrick Kiley
Roger Scott Offermann
Barry Gordon Ward
Douglas Glen Wolff

The bylaws provide: "The officers of the Company shall be a Chairman of the Board, President, one or more Vice Presidents, a Treasurer, a Secretary, an Actuary and such other officers as may be appointed by the board of directors. Any two or more offices may be held by the same person. The appointed officers of the Corporation shall be one or more Second Vice Presidents, Assistant Vice Presidents, Assistant Treasurers, and

Assistant Secretaries. All elected officers of the Corporation shall be elected by the board of directors at the annual meeting of the board of directors held at such date and time as are designed by the board of directors.”

The bylaws further provide that each officer will hold office until their successor has been duly elected or appointed and qualified, until their death, or until they resign or are removed from office. The following officers listed below, consisting of Senior Vice Presidents and above, were duly elected by the board and were serving in the indicated capacity as of December 31, 2017.

<u>Name</u>	<u>Company Position</u>
Michael Patrick Kiley	Chairman and Chief Executive Officer
Douglas Glen Wolff	President
John Forrest Guyot	Senior Vice President, General Counsel and Secretary
Joseph William Wittrock	Senior Vice President, and Chief Investment Officer
Roger Scott Offermann	Senior Vice President and Chief Actuary
Barry Gordon Ward	Senior Vice President, Chief Financial Officer, Chief Risk Officer and Treasurer

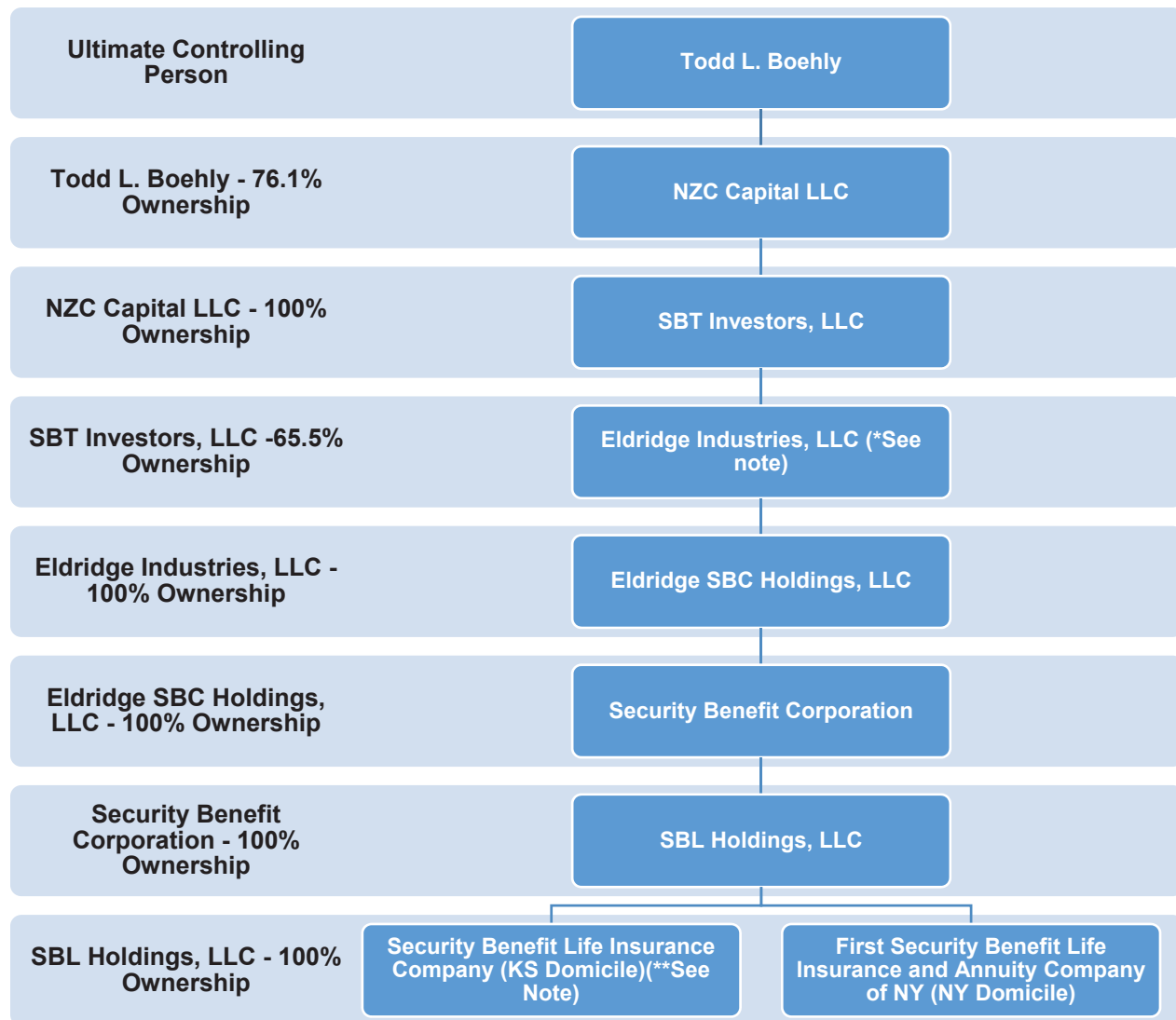
INSURANCE HOLDING COMPANY SYSTEM

K.S.A. 40-3301, *et seq.* - *Insurance Holding Companies*, 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 Form B and C registration statements to the Kansas Insurance Department for each of the years

under examination. A review of the registration statements indicated that the Company is properly reporting items and events as required by statute.

Organizational Chart

The abbreviated organizational chart below illustrates the identities and intercompany relationships of both insurance and non-insurance companies and the controlling entities thereof as of December 31, 2017. A complete organizational chart can be found in the SBL’s filed 2017 annual statement.



***Note:** Eldridge Industries LLC is 65.5% owned by SBT Investors, LLC and its board is partially controlled by Echidna Capital LLC. Echidna Capital LLC is 100% owned by Anthony D. Minella.

****Note:** Security Benefit Life Insurance Company (KS) owns 100% of the following subsidiaries: SecBen GBM Investco, LLC; Security Distributors, LLC, SAILES 2-0, LLC, Genessee Insurance Agency, LLC, Dunbarre Insurance Agency, LLC, Trigger Investco, LLC, , IDF V, LLC, and IDF VI, LLC. The Topeka Grand Hotels, LLC is 37% owned by Security Benefit Life Insurance Company.

Intercompany/Cost Sharing Agreements

Subsidiary Support Agreement

In 2001, SBL entered into a Subsidiary Support Agreement for Security Distributors, LLC (“SDL”). SDL serves as principal underwriter and distributor of certain variable insurance products issued by SBL. In 2017, SBL contributed \$1,650,092 to SDL under this agreement.

Services Agreement

Effective January 1, 2006, SBL receives administrative service fee income from Security Investors, LLC (“SI”) and Guggenheim Funds Distributors, LLC (“GFD”) through a Services Agreement. SBL provides administrative services to the respective mutual funds that SI includes as variable insurance products issued by SBL. GFD has a Services Agreement and Third Party Investors Services Agreement in which SBL provides various services with respect to mutual funds that GFD is the principal underwriter and includes variable insurance products issued by SBL.

Administrative Services Agreement

Effective January 1, 2006, SBL entered into an Administrative Services Agreement with First Security Benefit Life Insurance and Annuity Company of New York (“FSBL”).

SBL provides certain administrative services to FSBL. In 2017, SBL received \$1,237,900 under this agreement.

Master Services Agreement

In 2009, SBL entered into a Master Services Agreement (“MSA”) with se2, LLC. The MSA requires se2, LLC to provide policy administration and other services to SBL. The MSA has been amended several times with the last amended in 2017. In 2017, SBL paid se2, LLC \$21,291,880 for the services under the MSA.

Commission Assignment Agreement and Assumption Agreement

On November 9, 2011, SBL entered into a commission assignment agreement with South Blacktree Agency, LLC. In 2016, SBL paid \$13,985,201 to South Blacktree Agency, LLC for commissions under this agreement.

Master Agency Agreements and Assumption Agreements

On May 18, 2012 and November 1, 2013, Saganaw Insurance Agency, LLC and Searcy Insurance Agency, LLC, respectively entered into Master Agency Agreements and Assignment and Assumption Agreements with SBL. The agreements allow the agencies to recruit producers to sell and solicit certain SBL annuity contracts and to accept the assignment of previously recruited producers. On the above dates, the agencies entered into a Commission Payment Facility Agreement with SBL, as well as a Joinder Agreement with se2, LLC. The Joinder Agreement allowed the agencies to be a party to the Master Service Agreement discussed above between SBL and se2, LLC. In 2016, SBL paid \$83,153,633 to Saganaw Insurance Agency, LLC and \$24,220,586 to Searcy Insurance Agency, LLC for commissions.

Investment Management Agreement

Effective January 1, 2014, SBL contracted with Guggenheim Partners Investment Management, LLC (“GPIM”) to perform investment management services for its general account. In 2016, SBL paid \$9,342,448 to GPIM for services under this agreement.

Tax Allocation Agreement

In 2015, SBL entered into a Tax Allocation Agreement with certain affiliates to file a consolidated tax return. SBC collects or refunds taxes to each affiliate as determined in accordance with the method described in the Tax Allocation Agreement.

Shared Services Agreement

SBL entered into a Shared Services Agreement with Security Benefit Business Solutions, LLC (“SBBS”) effective January 1, 2015. The agreement provides for management and administrative services provided by SBBS. In 2017, SBL incurred \$105,185,503 for such services. In 2017, SBL paid SBC \$17,248,679 and Security Distributors, LLC \$7,759,992 under this agreement. Additionally, under the agreement, SBL leases certain office space to SBC for which annual rent income of \$4,707,975 was recorded in 2017.

Amended and Restated Services Agreement

Effective January 1, 2017, SBL entered into an Amended and Restated Services Agreement with Eldridge Business Services, LLC (“EBS”). SBL pays EBS for the following services: investment services and business development services related to investment strategy, asset origination, product development, improvement and development of new marketing and distribution strategies, and assisting in capital planning and rating agency support. In 2017, SBL paid EBS \$84,745,114, which consisted of \$34,745,114 for investment services and \$50,000,000 for business development services.

Affiliated and Related Party Transactions

In 2017, SBL had various and numerous agreements with the following affiliates regarding short-term intercompany promissory notes: SCF Realty Funding, LLC; Note Funding 1892, LLC; Maranon Senior Credit IV, LLC; Stonebriar Commercial Finance, LLC; and, Note Funding 1892-2, LLC.

As of the examination date, SBL had various long-term collateralized notes outstanding with the following affiliates: Wanamaker Portfolio Trust, LLC (f/k/a SBC Funding LLC); Canon Portfolio Trust, LLC; Mayfair Portfolio Trust, LLC; Stonebriar Holdings, LLC; Steamboat Portfolio Trust, LLC (f/k/a LSBF Holdings, LLC); and, Cain International, LP.

During 2016 and 2017, SBL had various short-term intercompany promissory notes outstanding with the following affiliates: CH Funding, LLC; SCF Funding, LLC; PD Holdings, LLC; Oneida Portfolio Trust, LLC; Ozawkie, LLC; Padfield HA, LLC; Tumbleweed Funding, LLC; and, Primary Issue Anchor Separate Account (“PIASA”).

In 2017, SBL had various individually material investments in other related parties. These investments are included in bonds and other invested assets on the balance sheet as Cardamom RE HQ, LLC, CBAM CLO Management, LLC and Four Six Four Aircraft Issuer.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company was authorized to transact business as a direct writer of insurance in the District of Columbia and all states of the United States, with the exception of New York.

The Company primarily solicits deposit-type funds and individual and group annuities.

GROWTH OF COMPANY

The table below shows the SBL's financial condition (in thousands) for the period of December 31, 2013, through December 31, 2017. The amounts were obtained from annual statements filed by the Company.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>(in thousands)</i>					
Admitted Assets	14,708,387	18,788,940	22,106,633	23,783,108	26,834,925
Assets from Separate Accounts	5,993,909	6,198,433	5,680,798	6,029,768	6,264,542
Liabilities	13,633,584	17,487,483	20,820,264	22,221,440	24,934,298
Liabilities from Separate Accounts	5,993,909	6,198,433	5,680,798	6,029,768	6,264,542
Capital and Surplus	1,044,804	1,301,456	1,286,369	1,561,669	1,900,627
Net Cash from Operations	5,721,559	4,361,208	1,690,711	3,083,939	2,467,549
Net Income	163,598	122,058	75,426	(81,045)	180,993
Net Premiums Written	6,191,894	5,061,253	2,270,677	3,665,498	2,951,390

REINSURANCE

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

Ceded Business

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, 2017, the ceded reserves amounted to \$1,092 million and \$24.3 million in premiums.

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, 2017, the ceded reserves on these books of business were \$384.4 million and \$173.6 million, respectively.

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, 2017, the ceded reserves on these books of business were \$75.2 million with a modified coinsurance ceded reserve of \$207.5 million.

Assumed Business

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, 2017, the Company maintained \$87.5 million in assumed reserves on a coinsurance basis and \$396.3 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 these contracts, 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, 2017, the Company maintained \$32.1

million in reserves and \$58.5 million in modified coinsurance reserves on business assumed from UOLIC and \$1.1 million in reserves and \$5.3 million in modified coinsurance reserves on business assumed from CLICNY.

Retrocessional Business

On August 1, 2012, the Company entered into an agreement with Industrial Alliance Insurance and Financial Services, Inc. (“AI”), a non-affiliate, whereby the Company agreed to assume certain individual fixed annuity contracts having total policyholder reserves of \$498.7 million. At the same time, the Company entered into an indemnity retrocession agreement with Guggenheim Life and Annuity Company (“GLAC”), an affiliate, whereby GLAC reinsured the individual fixed annuity contracts the Company reinsured from AI. Under the retrocession agreement the Company recorded as of December 31, 2017, \$451.5 million in ceded reserves with \$135.9 million in funds withheld.

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

SEPARATE ACCOUNTS

The Company maintained multiple separate accounts for the benefit of its variable life, variable annuities, certain fixed interest annuity contract holders, and certain funding agreements. The separate accounts were established in conformity with K.S.A. 40-436 — *Establishment of separate accounts*. Under the applicable insurance law, the assets

and liabilities of the separate accounts were clearly identified and distinguished from the Company's other assets and liabilities.

The investment experience of the separate accounts, other than those separate accounts funding fixed interest obligations, was credited directly to the policyholders and could be positive or negative. The variable annuity contracts generally provided an incidental death benefit and some contracts might have a guaranteed minimum living benefit. The minimum death benefit and living benefit reserves were recorded in the Company's general account. The separate account assets and liabilities were carried at market value. The Company received administrative and risk fees relating to amounts invested in separate accounts supporting variable contracts.

The Company issued to certain related parties funding agreements through separate accounts whereby the contract holders elected to invest in various investment options offered under the policy. The contract holders had the ability to take policy loans, which were secured by the policy, up to an amount specified in the policy. The investments funded through these agreements were reported in separate accounts' assets and liabilities on the balance sheets. Policy loans related to these separate accounts were reported in the policy loans on the balance sheets. Investment income and gains or losses arising from the investing in these funding agreements accrued directly to the contract holders and were not included in the statements of operations. Revenues to the Company from these funding agreements consisted primarily of administrative fees and interest on the policy loans issued to the contract holders.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Kansas Insurance Department and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on 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, 2017

	Assets	Assets Non- admitted	Net Admitted Assets
Bonds	\$ 17,564,793,984		\$ 17,564,793,984
Preferred stocks	6,652,500		6,652,500
Common stocks	46,168,815		46,168,815
Mortgage Loans on Real Estate			
First Liens	1,293,084,757		1,293,084,757
Real Estate (Properties Occupied by the Company less encumbrances)	16,208,782		16,208,782
Cash and short-term investments	4,093,825,251		4,093,825,251
Contract Loans	441,541,156		441,541,156
Derivatives	238,501,690		238,501,690
Other invested assets	2,703,259,597	6,027,652	2,697,231,945
Receivable for securities	26,193,158		26,193,158
Investment income due & accrued	265,319,770		265,319,770
Uncollected premiums and agents' balances in the course of collection	2,284		2,284
Deferred Premiums	34		34
Amounts recoverable from reinsurers	49,569		49,569
Funds held or deposited with reinsurers	1,838,424		1,838,424
Other amounts held under reinsurance contracts	43,857,614		43,857,614
Net deferred tax asset	44,211,915		44,211,915
Guaranty funds receivable or on deposit	188,009		188,009
EDP equipment and software	414,881	395,016	19,865
Furniture and equipment	498,076	498,076	-
Receivables from parent, subsidiaries and affiliates	1,427,642		1,427,642
Aggregate write-ins for other than invested assets	56,335,786	2,528,259	53,807,527
Total assets, excl. Separate Accounts	26,844,373,694	9,449,003	26,834,924,691
Separate Accounts	6,264,542,202		6,264,542,202
Totals	\$ 33,108,915,896	\$ 9,449,003	\$ 33,099,466,893

SECURITY BENEFIT LIFE INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
AS OF DECEMBER 31, 2017

Aggregate reserve for life contracts	\$ 22,698,100,810
Aggregate reserve for accident & health contracts	8,963
Liability for deposit-type contracts	561,790,145
Contract claims: Life	3,604,928
Other amounts payable on reinsurance	1,483,179
Interest Maintenance Reserve	144,426,491
Commissions to agents due or accrued	5,372,207
Commissions & expense allowances payable-reins assumed	13,773
Transfer to Separate Accounts due or accrued (net)	(15,988,247)
Taxes, licenses, fees due or accrued excl. federal income taxes	145,728
Current federal & foreign income taxes	28,572,499
Amounts withheld or retained by company as agent or trustee	544,946,070
Remittances & items not allocated	21,554,194
Miscellaneous liabilities:	
Asset valuation reserve	478,999,269
Payable to parent, subsidiaries & affiliates	16,278,928
Funds held under coinsurance	135,947,008
Payable for securities	240,455,734
Aggregate write-ins for liabilities	68,586,424
Total liabilities excl. Separate Accounts business	<u>24,934,298,103</u>
From Separate Accounts statement	6,264,542,202
Total liabilities	<u>31,198,840,305</u>
Common capital stock	7,000,130
Surplus notes	99,879,465
Gross paid-in & contributed surplus	1,653,895,591
Aggregate write-ins for special surplus funds	900,000
Unassigned funds (surplus)	138,951,532
Less treasury stock at cost:	
Common shares	130
Total capital & surplus	<u>1,900,626,588</u>
Total liabilities, capital & surplus	<u><u>\$ 33,099,466,893</u></u>

SECURITY BENEFIT LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
AS OF DECEMBER 31, 2017

Premiums and annuity considerations for life and A&H contracts	\$ 2,951,390,480
Consideration for supplementary contracts with life contingencies	8,971
Net investment income	1,422,252,721
Amortization of interest maintenance reserve	15,119,715
Commissions and expenses allowances on reinsurance ceded	10,300,417
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	55,536,830
Aggregate write-ins for miscellaneous income	229,314,610
Totals	<u>4,683,923,744</u>
Death benefits	195,327
Annuity benefits	255,816,159
Disability benefits and benefits under A&H contracts	1,346
Surrender benefits and withdrawals for life contracts	1,484,805,943
Interest and adjustments on contract or deposit-type contract funds	22,264,557
Increase in aggregate reserves for life and A&H contracts	2,243,237,195
Totals	<u>4,006,320,527</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	320,840,078
Commissions and expense allowances on reinsurance assumed	2,471,958
General insurance expenses	211,906,942
Insurance, taxes, licenses and fees, excluding federal income taxes	4,252,105
Increase in loading on deferred and uncollected premiums	347
Net transfers to or (from) Separate Accounts	(352,550,101)
Aggregate write-ins for deductions	134,146,851
Totals	<u>4,327,388,707</u>
Net gain from operations before dividends to policyholders and federal income taxes	356,535,037
Dividend to policyholders	<u>-</u>
Net gain from operations after dividends to policyholders and before federal income taxes	356,535,037
Federal and foreign income taxes	<u>174,446,825</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	182,088,212
Net realized capital gains (losses)	(1,093,036)
Net Income	<u><u>\$ 180,995,176</u></u>

**SECURITY BENEFIT LIFE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
AS OF DECEMBER 31, 2017**

Capital and surplus, December 31, 2016	\$ 1,561,667,523
Net income	180,993,176
Change in net unrealized capital gains (losses)	5,589,601
	4,766,704
Change in net deferred income tax	42,805,869
Change in nonadmitted assets	(3,790,986)
Change in asset valuation reserve	(66,368,662)
Change in surplus notes	7,533
Surplus adjustment:	
Paid in	200,000,000
Change in surplus as a result of reinsurance	(5,044,170)
Dividends to stockholders	(20,000,000)
Net change in capital and surplus for the year	<u>338,959,065</u>
Capital and surplus, December 31, 2017	<u>\$ 1,900,626,588</u>

SECURITY BENEFIT LIFE INSURANCE COMPANY
RECONCILIATION OF SURPLUS SINCE LAST EXAMINATION

Capital and surplus, December 31, 2013			\$ 1,044,803,333
Net Income	2014	122,058,084	
	2015	75,425,654	
	2016	(81,045,250)	
	2017	<u>180,993,176</u>	297,431,664
Change in net unrealized capital gains (losses)	2014	(3,659,856)	
	2015	(2,181,588)	
	2016	(2,033,478)	
	2017	<u>5,589,601</u>	(2,285,321)
Change in net unrealized foreign exchange capital gain (loss)	2014	(2,310,501)	
	2015	(8,440,880)	
	2016	(8,831,813)	
	2017	<u>4,766,704</u>	(14,816,490)
Change in net deferred income tax	2014	(46,171,771)	
	2015	(9,946,666)	
	2016	19,541,998	
	2017	<u>42,805,869</u>	6,229,430
Change in nonadmitted assets	2014	(2,361,738)	
	2015	(2,962,258)	
	2016	6,751,436	
	2017	<u>(3,790,986)</u>	(2,363,546)
Change in asset valuation reserve	2014	(100,464,288)	
	2015	(53,494,580)	
	2016	(58,075,111)	
	2017	<u>(66,368,662)</u>	(278,402,641)

**SECURITY BENEFIT LIFE INSURANCE COMPANY
RECONCILIATION OF SURPLUS SINCE LAST EXAMINATION (CONTINUED)**

Change in surplus notes	2014	20,033	
	2015	20,033	
	2016	(49,987,779)	
	2017	<u>7,533</u>	(49,940,180)
Surplus adjustment: Paid In	2014	400,000,000	
	2015	-	
	2016	289,366,509	
	2017	<u>200,000,000</u>	889,366,509
Surplus adjustment: Change in surplus as a result of reinsurance	2014	(19,531,946)	
	2015	(13,506,424)	
	2016	(1,021,854)	
	2017	<u>(5,044,170)</u>	(39,104,394)
Dividends to stockholders	2014	(118,400,000)	
	2015	-	
	2016	-	
	2017	<u>(20,000,000)</u>	(138,400,000)
Aggregate write-ins for gains and losses in surplus	2014	27,474,733	
	2015	-	
	2016	160,633,491	
	2017	<u>-</u>	188,108,224
Capital and surplus, December 31, 2017			<u><u>\$ 1,900,626,588</u></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, 2017, was \$1,900,626,588, which was the same amount, reported by the Company in its 2017 filed Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

There were no significant or material findings resulting from the examination that warranted inclusion in the Report on Examination.

SUBSEQUENT EVENTS

There were no subsequent events identified as a result of this examination that warranted inclusion in the report of examination.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination that warranted inclusion in the Report on Examination.

MANAGEMENT LETTER

There were recommendations resulting from the examination, which were noted in a management letter that was issued to the Company's Board of Directors for review, resolution and response back to the Kansas Insurance Department.

CONCLUSION

The assistance and cooperation of the officers of the Company during the course of this examination is hereby acknowledged. In addition to the undersigned, from Examination Resources, LLC, Rachele Gowins, CFE, MCM, Steven Sigler, AES, CFE, CISA, AMCM, James Gowins, AES, AFE, CISA, CISM, Renee Hanshaw, CFE, CPA and Bryan Fuller, CPCU, ARe, AIE, MCM participated in this examination. The actuarial review was performed by Carl Harris, FSA, MAAA, FCA, Steve Chamberlin, FSA, MAAA and Sarah Christiansen, PhD, FSA, MAAA with Insurance Strategies Consulting, LLC. Also assisting on this examination was Joseph Prakash, CFA from JP Consulting, Inc., Robert Panah, CFE, CISA, MCM, FLMI from Assurity Resources, Inc., and Andy Burlingham, a financial examiner with the Kansas Insurance Department.

Respectfully submitted,



Brian Maynard, CFE
Contract Insurance Examiner
Examination Resources, LLC
Examiner-in-Charge



Christopher W. Buchanan, CPA, CFE
Senior Financial Examiner
Kansas Insurance Department

**EXHIBIT 5
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Kansas,

County of Shawnee,

Brion Maynard, 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.

Brion Maynard
Examiner's Signature

Subscribed and sworn before me by Brion Maynard on this
16 day of June, 2019.

(SEAL)


Notary Public

My commission expires 4/7/2023
(date)

Gale Harpring
Notary Public - Seal
State of Indiana
Marion County
My Commission Expires 04/7/2023
Commission No. 666387