EXAMINATION REPORT OF

EQUITRUST LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2011

West Des Moines, Iowa
March 12, 2013

HONORABLE Nick GERHART
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an Association Examination has been made of the records, business affairs and financial condition of

EQUITRUST LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2011

at its Home Office, 7100 Westown Parkway Suite 200, West Des Moines, Iowa.

INTRODUCTION

EquiTrust Life Insurance Company, hereinafter referred to as the “Company”, was previously examined as of December 31, 2006 under the Association Plan by the Iowa Insurance Division, representing the Midwestern Zone. The examination reported herein was conducted under the Association Plan solely by examiners for the Iowa Insurance Division, representing the Midwestern Zone.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2007 to the close of business on December 31, 2011, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires the examination to be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the organization were considered in accordance with the risk-focused examination process. The Company’s assets were verified and evaluated and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2011.

HISTORY

The Company was purchased from TMG Life Insurance Company December 30, 1997. The corporate name was changed from Continental Western Life Insurance Company to EquiTrust Life Insurance Company December 31, 1997.

During 1998, the Company began marketing variable universal life and annuity products through marketing agreements with several other companies. The agreements provide for a coinsurance arrangement sharing the profits and risks with the marketing partner.

The Company received capital contributions from its parent, Farm Bureau Life Insurance Company, of $34.8 million in 2001, $25 million in 2002 and $20 million in 2003.

During 2003, the Company began marketing newly developed annuity products on a direct basis through independent channels. The Company continues to generate earnings through closed blocks of previously assumed business.

On December 31, 2003, all shares of the Company were transferred from the parent to FBL Financial Group, Inc. through an extraordinary dividend of $124 million.

The Company received capital contributions from its parent, FBL Financial Group, Inc. of $20 million in 2004, $50 million in 2005, $94.9 million in 2006, $50 million in 2007, and $82.2 million in 2008.

On December 30, 2011, the Company was acquired from FBL Financial Group, Inc, by EquiTrust Holdings, LLC (f/k/a Acorn Holdco, LLC), a controlled affiliate of Guggenheim Capital, LLC.

CAPITAL STOCK AND DIVIDENDS

The Company has 2,500 shares authorized, 2,000 shares issued and outstanding with a par value per share of $1,500. All of the outstanding shares are owned by the Company’s new parent, EquiTrust Holdings, LLC.

At December 31, 2011, capital stock paid in and contributed surplus totaled $3,000,000 and $404,666,773, respectively. The Company paid a dividend to FBL Financial Group, Inc. of $4,539,211 in 2011 prior to the sale. No other dividend was paid during the exam period.

HOLDING COMPANY ACT

The required Holding Company Act filings of the Company were filed for each year in the examination period.

AFFILIATED OPERATIONS

The Company has the following agreements with its affiliates:

Effective January 3, 2012, the Company has an Investment Management Agreement by and between the Company and Guggenheim Partners Asset Management, LLC.

Effective January 3, 2012, The Company has an Intercompany Services Agreement with Guggenheim Partners Asset Management LLC and a Services and Cost Sharing Agreement with EquiTrust Insurance Services, LLC.

Partial Organizational Chart

Sammons Enterprises, Inc. ESOT
(Ultimate Controlling Entity)

Sammons Enterprises, Inc.

Consolidated Investment Services, Inc.

Sammons Equity Alliance, Inc.

SAGE Assets, Inc.

Guggenheim Capital, LLC
40.5%

Guggenheim Partners, LLC

GP Holdco, LLC.
99.5%

GPFT Holdco, LLC

Guggenheim Insurance Holdco, LLC

Acorn Holdco Parent II, LLC

Acorn Holdco Parent, LLC
30%

Acorn Holdco, LLC

EquiTrust Life Insurance

MANAGEMENT AND CONTROL

SHAREHOLDERS

The Amended and Restated By-Laws provide that the annual meeting of the shareholders shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix. Special meetings may be called for any purpose, unless otherwise prescribed by statute, by the Board of Directors or the Chief Executive Officer. Each shareholder is entitled to one vote per share at all meetings of the shareholders either in person or by proxy.

At the annual or special meeting of shareholders, a majority of the shares entitled to vote, represented in person or by proxy, constitute a quorum for the transaction of business.

BOARD OF DIRECTORS

The Amended and Restated By-Laws provide that the business and affairs of the Company shall be managed by a Board of Directors of five, or such other number not less than five nor more than fifteen as is fixed from time to time pursuant to a resolution adopted by a majority of Board of Directors in office. The term of office of the directors shall expire at the next annual meeting of the stockholders upon the election and qualification of his/her successor or until their prior death, resignation or removal. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. Special meetings of the Board of Directors may be called by one third of the directors then in office or by the Chief Executive Officer and shall be held at such place, on such date, and at such time as they or he or she shall fix.

Elected and qualified directors serving at December 31, 2011 were as follows:

Name and Address	Occupation	Term Expires
Jeffrey S. Lang New York, NY	President and Chief Executive Officer Equitrust Life Insurance Company	2013
Donald C. Cacciapaglia Rye, NY	Chief Operating Officer Guggenheim Partners, LLC	2013
David L. Korman Chicago, IL	Chief Legal Officer Guggenheim Partners, LLC.	2013
Byron S. Minerd Marina Del Ray, CA	Executive Guggenheim Capital, LLC	2013
Mark R. Walter Chicago, IL	Chief Executive Officer Guggenheim Capital, LLC	2013

No per diem or compensation is provided for meetings or activities.

COMMITTEES

The Board of Directors, by a vote of a majority of the whole Board, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers to serve at the pleasure of the Board and shall, for these committees and any others provided for herein, elect a director or directors to serve as the committee members.

The Board has established an Audit Committee with Donald Cacciapaglia as the sole member of the committee. The committee does not have an independent member.

OFFICERS

The officers of the Corporation shall consist of a Chief Executive Officer, President, Chief Operating Officer, Secretary and Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as may from time to time be appointed by the Board of Directors. Any number of offices may be held by the same person. The Board of Directors may leave unfilled for any such period as it may fix, any office, except those of President and Secretary.

Elected and appointed officers serving as of December 31, 2011 were as follows:

Name	Title
Jeffrey S. Lange	President and Chief Executive Officer
Daniel J. Towriss	Chief Actuary, Chief Risk Officer, and Secretary
James D. Purvis	Chief Operating Officer and Treasurer
Frank K. Neill III	Chief Investment Officer
Jill S. Factor	Assistant Secretary

The Company was purchased on December 30, 2011, therefore there was no compensation provided by the Company to these officers for 2011.

CONFLICT OF INTEREST

The Company has an established procedure for the annual disclosure to its Board of Directors of any material interest or affiliation on the part of directors, officers and key employees, which is in conflict with, or is likely to be in conflict with the official duties of such person. If a director is appointed after the first quarter of the year, he or she is not required to sign a conflict of interest statement until the first quarter of the following year. An examination review of these statements indicated there were no conflicts found that would appear to interfere with that person's official duties.

CORPORATE RECORDS

The Articles and Bylaws were amended and restated as of December 31, 2011 to reflect the change in ownership.

The recorded minutes of the meetings of the stockholders and the Board of Directors were read and noted. They appeared to be complete and were properly attested.

The Report of Examination of the Iowa Insurance Division for the period ending December 31, 2006 was approved on April 17, 2008.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond up to a single loss limit of $5,000,000. Other insurable interests of the Company were protected by policies of insurance in force as of December 31, 2011. Insurance covering the Company's various risks appears adequate and is placed with authorized companies.

EMPLOYEE WELFARE

The Company does not have direct employees. All personnel services are provided by EquiTrust Insurance Services, LLC in accordance with the Services and Cost Sharing Agreement.

REINSURANCE

The reinsurance contracts of the Company were reviewed and no contract provision was found to be outside the custom of the industry. All contracts had acceptable insolvency clauses and transfer of risk.

All reinsurers were authorized to transact business in the state of Iowa.

Ceded

Under a Coinsurance agreement that was effective January 1, 1998, the Company cedes to Midland National Life Insurance Company business that was originally written by the Company’s predecessor, Continental Western Life Insurance Company.

As part of the sale of EquiTrust, FBL Financial Group retains all of the EquiTrust business which is currently being administered on the Farm Bureau Life administration system. The business will be reinsured and administered by Farm Bureau Life. The specific agreements are as follows:

a. Variable Universal Life Business Coinsurance and Modified Coinsurance Agreement (“VUL Agreement”) - Under this agreement EquiTrust will cede and Farm Bureau Life will assume and reinsure on an indemnity basis one hundred percent (100%) of the EquiTrust variable universal life (“VUL”) policies. Under the agreement all General Account Liabilities (as defined in the VUL Agreement) related to the VUL policies are reinsured on a coinsurance basis and all Separate Account Liabilities (as defined in the VUL Agreement) are reinsured on a modified coinsurance basis.
b. Variable Annuity Business Coinsurance and Modified Coinsurance Agreement (“VA Agreement”) - Under this agreement EquiTrust will cede and Farm Bureau Life will assume and reinsure on an indemnity basis one hundred percent (100%) of the EquiTrust variable annuity (“VA”) policies. Under the agreement all General Account Liabilities (as defined in the VA Agreement) related to the VA policies are reinsured on a coinsurance basis and all Separate Account Liabilities (as defined in the VA Agreement) are reinsured on a modified coinsurance basis.
c. Fixed Life and Annuity Business Coinsurance Agreement ("FLA Agreement”) - Under this agreement, EquiTrust will cede and Farm Bureau Life will assume and reinsure on a indemnity basis one hundred percent (100%) of certain fixed life insurance and annuity policies which are not part of the business sold to controlled affiliates of Guggenheim Partners and which are defined in the FLA Agreement. Farm Bureau Life will assume and reinsure these policies on a coinsurance basis.
d. Post-Closing Policies Reinsurance Agreement (“Post-Closing Agreement”) - Under this agreement, EquiTrust will cede and Farm Bureau Life will assume and reinsure on an indemnity basis one hundred percent (100%) of certain life insurance and annuity policies which may be sold after closing date in the states of Colorado and Indiana. This arrangement will remain in place for a period not to exceed two (2) years until Farm Bureau Life has a company in place licensed to sell in those states. Farm Bureau Life will assume and reinsure the policies under the Post-Closing Agreement on a coinsurance basis.

Assumed

The Company has a partnership agreement with American Equity Investment Life Insurance Company (American Equity). Under a modco agreement, the Company assumes 70% of variable annuities issued by American Equity and administered by the Company.

The Company also assumed on a coinsurance basis a closed block of American Equity annuity business. The reinsurance assumed is comprised of 70% of certain contracts issued 8/1/2001 through 12/31/01, 40% of certain contracts issued in 2002 and 2003 and 20% of contracts issued from 7/1/2004 through 7/31/2004.

In 2001, the Company assumed 90% of a closed block of National Travelers Life Insurance Company (now called EMC National Life Company) life and annuity business. Effective October 1, 2009, EMC National Life Company recaptured this business.

STATUTORY DEPOSIT

The Company had securities and other assets on deposit with the Iowa Insurance Division in excess of the minimum statutory requirements.

TERRITORY AND PLAN OF OPERATION

At December 31, 2011 the Company was licensed to transact business in all jurisdictions with the exception of New York.

The Company’s focus is on three main channels: annuities, life insurance and private placement products. The annuity channel distribution is grouped by four types: fixed indexed annuities, multi-year guaranteed annuities (MYGAs), immediate annuities and traditional deferred annuities. The Company has a nationwide foot print with 77 independent marketing organizations (IMOs) and nearly 15,000 writing agents. The product mix is based on 53% of fixed indexed annuities, 44% MYGAs, and the balance in immediate annuities.

Life insurance products offered by the Company are single-premium indexed universal life and single-premium whole life. Distribution is through nine IMOs with additional IMOs to be added in the near future.

In addition to marketing fixed annuities and life insurance, the Company plans to use an exclusive client network offering insurance services and asset management to Guggenheim Partners clientele and ultra-high net worth individuals. These products and services are sold through Guggenheim Investor Services, LLC. Sources of revenue will come from customized investment and risk management solutions, variable universal life, separate account funding agreements and investment management fees.

The five states with the largest amounts of direct premium writings in 2011 were:

State	Direct Premium Collected*	Percentage of Total
Pennsylvania	$ 75,793,258	10.9%
California	68,406,364	9.8%
Arizona	51,776,057	7.4%
Iowa	40,203,008	5.8%
Florida	37,249,192	5.3%
Total all states	$698,211,487	100.0%

*Includes Deposit-Type Contracts

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the annual statements for the years indicated. The figures, with thousands omitted, are as follows:

Year	Total Admitted Assets*	Separate Accounts Assets	Total Liabilities*	Separate Accounts Liabilities	Capital and Surplus	Life Insurance In-Force
2007	$6,739,656	$101,875	$6,348,018	$101,875	$391,638	$2,175,205
2008	7,718,750	61,169	7,301,773	61,169	416,978	2,093,057
2009	7,091,814	71,979	6,656,847	71,979	434,967	670,825
2010	7,283,274	77,464	6,831,782	77,464	451,492	652,635
2011	7,171,155	67,787	6,734,017	67,787	437,138	582,166

Year	Aggregate Life Reserves	Deposit-Type Funds Liability	Life Claims Liability	Annuity Premium Income	Life Premium Income	Deposit-Type Funds Received
2007	$6,138,450	$ 65,378	$11,053	$1,547,156	$15,646	$ 61,021
2008	7,096,456	142,664	16,262	1,490,561	14,184	97,357
2009	6,389,471	171,997	3,094	591,851	10,426	31,332
2010	6,336,181	298,783	3,870	382,619	8,317	154,212
2011	6,323,041	306,757	5,189	624,075	23,238	39,808

*excludes separate accounts

ACCOUNTS AND RECORDS

Trial balances of the Company’s general ledgers were taken for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

The records in the Company’s policy master file were sampled and tested by comparing data contained in supporting documents to data contained in the computer records. No differences were noted.

Other examination differences with the amounts in the financial statements as presented in the annual statement at December 31, 20011 were noted. The aggregate differences totaled ($14,100,000). However, these changes have not been made to the financial statements in this examination report since the changes do not individually, or in aggregate, exceed the examination materiality threshold.

SUBSEQUENT EVENTS

Dennis A. Cullen and Wayne S. Diviney were appointed at a Board of Directors meeting of the Company on December 27, 2012 to replace Donald C. Cacciapaglia and Mark R. Walter who resigned as directors effective December 20, 2012 and November 21, 2012, respectively. It was also anticipated that Dennis A. Cullen and Wayne S. Diviney would serve as independent members of the Audit Committee.

Effective February 19, 20l3, the Company appointed Brian T. Sir as a director, to replace Jeffrey S. Lange who resigned as a director effective January 14, 20l3. David L. Korman was appointed as Chief Executive Officer and President of the Company to replace Jeffrey S. Lange who resigned from those positions.

F I N A N C I A L   S T A T E M E N T S

A N D   C O M M E N T S   T H E R E O N

NOTE: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2011, and the assets and liabilities as of that date. Schedules may not add or tie precisely due to rounding.

ASSETS

	Ledger	Not Admitted	Admitted
Bonds	$6,241,212,630	$	$6,241,212,630
Preferred stocks	7,500,000		7,500,000
Common Stocks	16,625,701		16,625,701
Mortgage loans - First liens	594,506,384		594,506,384
Cash and short-term investments	105,590,493		105,590,493
Derivatives	41,320,590		41,320,590
Other invested assets	77,802,439		77,802,439
Receivable for securities	1,152,663		1,152,663
Investment income due and accrued	73,910,628		73,910,628
Amounts recoverable from reinsurers	2,868,963		2,868,963
Other amounts receivable under reinsurance contracts	33,156		33,156
Current federal income tax recoverable	217,155		217,155
Guaranty funds receivable	226,481	222,906	3,575
Furniture and equipment	165,233	165,233	0
Health care and other amounts receivable	661,419	661,419	0
Coinsurance balances recoverable	8,410,653		8,410,653
Due from others	1,467	1,467	0
Subtotal	$7,172,206,055	$1,051,025	$7,171,155,030
From separate accounts statement	67,786,634		67,786,634
Total	$7,239,992,689	$1,051,025	$7,238,941,664

LIABILITIES, SURPLUS and OTHER FUNDS

Aggregate reserves for life policies	$6,323,041,370
Liability for deposit-type contracts	306,757,097
Life contract claims	5,189,120
Provision for policyholders’ dividends apportioned for payment	1,240
Provision for policyholders’ dividends not yet apportioned	227
Other amounts payable on reinsurance	6,229,791
Interest Maintenance Reserve	8,770,050
Commissions to agents due or accrued	1,114,661
General expenses due or accrued	107,712
Taxes, licenses and fees	441,309
Net deferred tax liability	12,518,787
Amounts withheld or retained	27,533
Remittances and items not allocated	5,864,742
Asset valuation reserve	29,559,038
Derivatives	33,776,924
Other liabilities	617,837
Subtotal	$6,734,017,438
From separate accounts statement	67,786,634
Total Liabilities	$6,801,804,072
Common capital stock	$ 3,000,000
Gross paid in and contributed surplus	404,666,773
Unassigned funds (surplus)	29,470,819
Total Capital and Surplus	$ 437,137,592
Total Liabilities, Surplus and Other Funds	$7,238,941,664

SUMMARY OF OPERATIONS

Premiums and annuity considerations	$ 647,313,182
Considerations for supplementary contracts with life contingencies	(346,834)
Net investment income	448,855,119
Amortization of interest maintenance reserve	1,430,766
Commissions and expense allowances on reinsurance ceded	469,186
Reserve adjustments on reinsurance ceded	(1,572,839)
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	2,461,795
Option settlements on reinsurance assumed	29,157,065
Option value change on reinsurance assumed	(16,131,912)
Gain on recapture of coinsurance business	(72,238)
Total	$1,111,563,290
Death benefits	$ 556,309
Annuity benefits	377,456,563
Surrender benefits and other fund withdrawals	605,065,933
Interest and adjustments on policy or deposit-type contract funds	9,678,565
Payments on supplementary contracts with life contingencies	421,096
Increase in aggregate reserves for life policies and contracts	(16,807,266)
Total	$ 976,371,200
Commissions on premiums, annuity considerations and deposit-type contracts	65,251,631
Commissions and expense allowances on reinsurance assumed	3,091,538
General insurance expenses	25,994,244
Insurance taxes, licenses and fees	2,120,178
Increase in loading on deferred and uncollected premiums	2,572
Net transfers to or (from) separate accounts	(4,373,354)
Modified coinsurance assumed	(2,253,091)
Regulatory fines and penalties	1,272
Miscellaneous expense	87,935
Other expense - pension	2,938,393
Total	$1,069,232,518
Net gain from operations before dividends to policyholders and before federal income taxes	$ 42,330,772
Dividends to policyholders	1,405
Net gain from operations after dividends to policyholders and before Federal income taxes	$ 42,329,367
Federal income taxes incurred	23,591,017
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	$ 18,738,350
Net realized capital gains or (losses)	930,415
Net income	$ 19,668,765

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2010	$451,492,140
Net income	$ 19,668,765
Change in net unrealized capital gains	(4,187,716)
Change in net deferred income tax	(27,676,811)
Change in nonadmitted assets	3,360,927
Change in asset valuation reserve	(980,502)
Dividends to stockholders	(4,539,211)
Net change in capital and surplus for the year	$(14,354,548)
Capital and surplus, December 31, 2011	$437,137,592

CASH FLOW

CASH FROM OPERATIONS		
Premiums collected net of reinsurance	$668,591,903	
Net investment income	445,286,718	
Miscellaneous income	1,362,212	
Total		$1,115,240,833
Benefit and loss related payments	$978,934,737	
Net transfers to separate accounts	(4,436,330)	
Commissions, expenses paid and aggregate write-ins	97,953,077	
Dividends paid to policyholders	1,401	
Federal income taxes paid	34,277,842	
Total		1,106,730,727
Net cash from operations		$ 8,510,106
CASH FROM INVESTMENTS		
Proceeds from investments sold, matured or repaid:		
Bonds	$889,122,379	
Mortgage loans	141,505,952	
Real Estate	4,713,455	
Other invested assets	1,600,730	
Total investment proceeds		$1,036,942,516
Cost of investments acquired:		
Bonds	$886,157,085	
Stocks	1,348,500	
Mortgage loans	113,213,132	
Miscellaneous applications	130,458,999	
Total investments acquired		1,131,177,716
Net increase (decrease) in contract loans and premium notes		177,900
Net cash from investments		$ (94,413,100)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
Cash provided (applied):		
Net deposits on deposit-type contracts	$ (655,983)	
Dividends to stockholders	4,539,211	
Other cash provided (applied)	11,736,797	
Net cash from financing and miscellaneous sources		$ 6,541,603
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
Net change in cash and short-term investments		$ (79,361,391)
Cash and short-term investments:		
Beginning of year		184,951,884
End of year		$ 105,590,493

CONCLUSION

The assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, the following examiners representing the Iowa Insurance Division participated in this examination:

Lindsay Bates
Daniel Mathis
Bouavan Kha
Amanda Buseman

The actuarial portion of this examination was completed by Insurance Strategies Consulting, L.L.C. and the IT review was completed by Eide Bailey, L.L.C.

Respectfully submitted,

JEFFREY S. PAYNE, CFE
Insurance Company Examiner Specialist
Iowa Insurance Division