

MARKET CONDUCT  
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 Gerhart:

In accordance with your instructions, and pursuant to Iowa statutory provisions, a market conduct examination has been made of the business and marketing practices of the

EQUITRUST LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2011

at the Company's Home Office located at 7100 Westown Parkway, West Des Moines, Iowa.

FORWARD

The report by exception of this examination, containing applicable comments, explanations and findings is presented herein. Additional practices, procedures and files subject to review during the examination have been omitted from the report if no improprieties were found.

SCOPE OF EXAMINATION

EquiTrust Life Insurance Company, hereinafter the "Company", was previously examined as of December 31, 2006. This market conduct examination covered the intervening period from January 1, 2007 to the close of business on November 1, 2012. It was conducted and performed solely for the Iowa Insurance Division by its examiners. A general review and survey was made of the Company's marketing operations and treatment of policyholders for statutory compliance during the stated period. Other supporting evidences have been examined and evaluated to the extent deemed necessary.

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 new parent, FBL Financial Group, Inc. of \$20 million in 2004, \$50 million in 2005 and \$94.9 million in 2006.

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.

#### 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:

<u>State</u>	<u>Direct Premium Collected*</u>	<u>Percentage of Total</u>
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

## MARKETING AND SALES

### Advertising

The Company's advertising materials, consisting of various printed sales brochures, mailers and other literature, were reviewed. Additionally, the Company's internet website [www.equitrust.com](http://www.equitrust.com) was reviewed for content and compliance. No problems or exceptions were noted.

### Agent Training

Producer training materials were reviewed for compliance with state statutes and regulations. No problems or exceptions were noted.

## SUITABILITY DETERMINATION PROCESS REVIEW

### Supervisory System of Annuity Recommendations

The Company maintains written guidelines of procedures and forms to be used by producers for making recommendations to all consumers to purchase or exchange an annuity product.

The Company provides its producers a suitability worksheet to be used in the sale of annuity products. The suitability worksheet is used by producers to obtain the consumer's information for determining whether to make a suitability recommendation. The form requires signatures by the consumer, producer/registered representative and home office registered principal certifying that a suitability review was performed.

The Company's supervisory system for reviewing recommendations made by its producers is performed internally. The supervisory system includes verification that a suitability worksheet is completed for every application. Every application and corresponding suitability worksheet is reviewed by the Company in some manner. Answers to the suitability related questions guide various levels of detail review by various levels of management.

The Company's supervisory system appears to comply with the requirements of section 507B.4B, Iowa Code (2012) and Iowa Administrative Code subrules 15.68 through 15.73.

### Policy Review

During the exam period the policy administration system was maintained by Farm Bureau Life Insurance Company. A sample of 100 policies was selected to determine compliance with the suitability determination requirements of section 507B.4B, Iowa Code (2012) and Iowa Administrative Code subrules 15.68 through 15.73. No exceptions were noted.

### Replacements

Replacements were reviewed for compliance with Iowa Administrative Code chapter 191-16. The applications were examined to determine if replacements were properly identified on the applications and to determine if the agents informed the policyholder of the replacement information on the disclosure form. Timely notice to existing insurers of potential replacements and maintenance of required records was also reviewed. No problems or exceptions were noted. The Company appears to be in compliance with Iowa's replacement laws.

#### PRODUCER LICENSING

A review of the producer licensing practices of the Company was conducted during this examination. The agent, agency and broker contracts were reviewed and appear to be in compliance.

#### COMPLAINT HANDLING

The Company's complaint registers for the years 2007 through 2012 were reviewed. The complaint registers appear to comply with applicable statutes and regulations.

The Company's complaint handling policies and procedures were reviewed. The Company appears to be handling complaints according to its guidelines.

A sample of 50 complaints from the years 2007 through 2012 were examined. Based on the results of this review, it was determined that complaints are handled in a timely and appropriate manner.

#### UNDERWRITING AND RATING

##### Individual Life Contracts

A sample of 31 individual life contracts in force as of December 31, 2011 was reviewed to determine if file documentation adequately supports decisions made. The Company's policies and procedures appeared to be in compliance with applicable statutes and regulations.

##### Individual Annuities

A sample of 88 individual annuity contracts in force as of December 31, 2011 was tested by comparing data contained in the applications and other supporting documents to data contained in the computer records. The Company's policies and procedures appeared to be in compliance with applicable statutes and regulations.

##### Denied Applications

A sample of 50 annuity applications which were denied during the examination period was reviewed. It appeared that the reasons for declination were not discriminatory and were in compliance with applicable statutes and regulations.

#### CLAIM HANDLING

##### Time Payment Study

###### Annuity

For the purpose of this study, time was measured from the date the Company received a request for disbursement to the date the check for payment was issued. A sample of 20 individual annuity disbursements made during the years 2007 through 2012 were reviewed. All disbursements were made within 8 days.

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  
Amanda Buseman  
Bouavan Kha  
Dan Mathis

Respectfully submitted,

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Jeffrey S. Payne  
Insurance Company Examiner Specialist  
Iowa Insurance Division