

Part 2A of Form ADV: Firm *Brochure*

Item 1 **Cover Page**

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This brochure provides information about the qualifications and business practices of Aon Benfield Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 312.381.4488. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Aon Benfield Securities, Inc. ("ABSI") is also available on the SEC's website at www.adviserinfo.sec.gov.

References may appear in this brochure to the fact that ABSI was registered as an investment adviser. Registration does not imply a certain level of skill or training.

February 22, 2012

Item 2 **Material Changes**

ABSI's most recent update to Part 2 (the "Part II") of Form ADV was made in March 2011. ABSI's business activities have changed since that time. The firm no longer provides investment management services to its affiliate, Aon Corporation.

ABSI withdrew its SEC registration as an investment adviser in February 2012, and is currently exempt from registration as an investment adviser.

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Item 4 **Advisory Business**

Aon Benfield Securities, Inc. ("ABSI"), a New York corporation, is a wholly-owned subsidiary of Aon Group, Inc., which in turn is a wholly-owned subsidiary of Aon Corporation. ABSI commenced operations in 1969. ABSI was registered as a broker-dealer in 1969 and became dually registered as a broker-dealer and investment adviser in July 2009. ABSI withdrew its SEC registration as an investment adviser in February 2012.

ABSI offers variable annuity hedging services as described below:

Variable Annuity Hedging Services

ABSI also expects to provide investment advisory services to insurance companies, reinsurance companies, banks and/or other financial institutions that sell or will sell products with embedded financial guarantees and insurance products. The firm may also be engaged by a (re)insurance company/financial institution to consult on an existing program, without providing investment advisory services described below.

The advisory services (referred to herein as "annuity hedging services") ABSI expects to offer include, among other things, developing variable annuity hedging strategies, providing investment and asset management services related to the management of variable annuity hedging programs, and assisting with the development of investment and insurance products, risk management practices and tools, and pricing models. While annuity hedging services are not discretionary, ABSI may exercise partial discretion, i.e., discretion within certain established parameters. See Item 12 for additional information. Annuity hedging services will be tailored to each client's needs. Clients may set investment restrictions.

The annuity hedging services business will be conducted from an office in Toronto, Ontario, Canada. For business conducted in Canada, ABSI relies on the International Adviser Exemption pursuant to Canadian National Instrument 31-103 Registration Requirements and Exemptions ("NI 31-103").

As part of its services, ABSI may also write fairness opinions.

Item 5 **Fees and Compensation**

Annuity Hedging Services

ABSI expects to charge fees for its annuity hedging services which are negotiable and can vary depending on the size and complexity of the hedge program and financial reporting.

Fees are based on, but not limited to, the following factors:

- size of the portfolio
- types of risks that we are mandated to manage
- geographic exposure of the risk
- types of instruments to be traded
- mutually agreed upon performance metric

The fee is variable but capped in a range and could move up and down based on a mutually agreed upon performance metric like hedging efficiency.

Flat fees and/or performance-based fees may be charged depending on the nature and scope of services to be provided.

Performance-Based Fees and Side-By-Side Management

ABSI does not currently charge performance-based fees, but it may do so in the future with respect to its Annuity Hedging Services.

Types of Clients

Types of Clients – Annuity Hedging Services

Annuity hedging clients will be insurance companies, reinsurance companies, banks and/or other financial institutions that sell or will sell insurance products and products with embedded financial guarantees.

ABSI only accepts advisory clients who are qualified institutional buyers as such term is defined in Rule 144A promulgated under the Securities Act of 1933.

Annuity Hedging Services**Security Analysis Methods**

ABSI expects to work with the client to determine the securities ABSI will buy and sell to manage their hedge program. The hedge program trading instruments and quantity will be based on quantitative and qualitative analyses, and in accordance with the documented hedging strategy approved by the client. The client determines and approves the securities that ABSI may purchase or sell in the course of managing the program. ABSI may exercise partial discretion, i.e., discretion within certain established parameters.

Sources of Information

ABSI will work with the client to identify the appropriate securities to use in the hedge portfolio. It would be unusual for ABSI to consider buying a cash underlying, such as a bond or individual security, because the best way to manage these risks is to use standardized highly liquid contracts like stock index futures or swaps. ABSI may use third-party information providers like Bloomberg and Reuters for pricing and market related information.

Investment Strategies

ABSI expects to provide advice to the annuity hedging services clients with respect to the following types of investments, among others: listed stock index futures, currency futures, Eurodollar futures, government bond futures, swap futures, stock index options, as well as OTC swaps, variance swaps, swaptions, caps and floors and stock index options, corporate debt securities (other than commercial paper), United States government securities, non-U.S. government debt, options contracts on securities and commodities and futures contracts on intangibles. It is expected that approximately 60% of the instruments' issuers or counterparties will be located in the United States, 25% in Europe and 15% in Asia. The exact instruments and the exact geographical breakdowns will change based on the portfolio variable annuity risks that ABSI is asked to manage against and on the type of hedging program an annuity hedging client wishes to deploy.

The type of investment strategy can vary due to relative market prices and the nature of the hedge program mandate itself. For example, to manage equity risk ABSI could use stock index futures, ETFs, stock index options, or stock index futures options, based on the relative pricing of these instruments and incorporating the client's views regarding the relative attractiveness of these different securities.

Material Risks Relating to Annuity Hedging Strategies

For variable annuity hedging strategy, there are many risks to consider, including economic risks, financial reporting risks, statutory reporting risks, market disruption risk, operational risk, and hedging strategy design and performance risk due to the complex nature of the product.

Variable Annuity guarantees have very complex embedded derivatives, which require complex models and assumptions to estimate the risk to be hedged. There are risks in modeling the liability properly and in estimating the parameters that are used in the model. Since these derivatives are long dated, there are not any tradable measures in the market that could be used for calibration. Our clients provide us with models and sometimes depend on us for advice on parameterization. Even though industry best practices are utilized by our clients and ABSI to estimate the parameters, there are model risks that cannot be mitigated. The hedging (investment) strategy depends on these models and parameters and could yield unfavorable results.

Disciplinary Information

There are no legal or disciplinary events to report relating to ABSI or its management that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

On March 4, 2005, Aon Corporation ("Aon"), an advisory affiliate of ABSI, reached a comprehensive agreement with the attorneys general of New York, Illinois and Connecticut as well as the Insurance Department of New York and Illinois to settle investigations relating to contingent commissions and other business practices that may have created actual or potential conflicts of interest. The settlement involved no fines or penalties, but it provided for compensation to certain U.S. policyholder clients.

Beginning February 11, 2010, Aon and its subsidiaries and affiliates entered into amended and restated agreements (the "Amended Settlement Agreement") with the Attorney General of the State of New York, the New York Department of Insurance, the Attorney General of the State of Illinois, the Illinois Department of Insurance, the Attorney General of the State of Connecticut, and the majority of other Departments of Insurance, which supersedes earlier agreements. The Amended Settlement Agreement allows various forms of compensation that were previously prohibited, and lessens the disclosure obligations which were required under the prior settlement. The Amended Settlement Agreement requires compensation disclosure that complies with any rules, regulations or guidance promulgated or issued by the attorneys general or insurance departments in the states in which Aon conducts business.

Anti-Corruption Matters

Beginning in 2007, Aon Corporation reported in its filings with the SEC that following inquiries from regulators, it had commenced an internal review of its compliance with certain U.S. and non-U.S. anti-corruption laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). An outside law firm with significant experience in the area oversaw the review.

On December 20, 2011, Aon announced that it had agreed to finalize these matters by paying \$1.76 million to the U.S. Department of Justice ("DOJ") as part of a non-prosecution agreement and approximately \$14.55 million to the U.S. Securities & Exchange Commission ("SEC") in disgorgement and interest to settle civil action, both relating to certain payments made in overseas jurisdictions between 1983 and 2007.

In the non-prosecution agreement, the DOJ referred to Aon's extraordinary cooperation; its timely and complete disclosure of the facts; the early and extensive remedial efforts undertaken by the firm, including the substantial improvements Aon made to its anti-corruption compliance procedures; and, Aon Limited's prior settlement of these matters with its UK regulator. Aon Limited is the insurance brokerage and risk management business of Aon in the United Kingdom.

Since beginning its internal review of these issues in 2007, Aon has put in place a comprehensive, global and robust anti-corruption program designed to prevent and detect improper conduct.

Throughout the course of its review, Aon cooperated fully with all relevant agencies, including the DOJ, the SEC and the FSA.

Item 10 **Other Financial Industry Activities and Affiliations**

Other Business Activities

As indicated in Item 4, ABSI is also a registered broker-dealer. ABSI's primary business consists of (1) the Capital Markets Group, which structures, underwrites and places insurance-linked securities (including cat bonds, sidecars and contingent capital securities), and (2) the Corporate Finance Group, which advises on start-ups, mergers and acquisitions and related financing. Typical clients are insurance and reinsurance companies. ABSI does not currently expect to execute securities transactions for its advisory clients. There is minimal correlation between our broker-dealer business and our advisory business.

Other Financial Industry Activities or Affiliations

ABSI provides consulting services with respect to the certain computer-based annuity hedging program it develops. An affiliate of ABSI is currently an owner of a substantial minority equity interest in a Bermuda-domiciled corporation known as Juniperus Capital Holdings Limited ("JCHL"). JCHL is the investment manager of a Bermuda-domiciled investment fund known as the Juniperus Insurance Opportunities Fund ("JIOF"). An affiliate of ABSI is also an investor in JIOF. ABSI has no participation in, or influence over, the management of JCHL or JIOF, but ABSI has been retained as an advisor, in exchange for a fee, in the effort to raise additional investment capital for JIOF.

ABSI is affiliated (under common control) with other investment advisers and broker-dealers as outlined below. All these affiliated firms are direct or indirect subsidiaries of Aon Corporation. There are no arrangements with the affiliated investment advisers/broker-dealers that are material to ABSI's advisory business.

- Aon Benfield Securities Limited – Authorized and regulated in the U.K. by the Financial Services Authority to conduct securities and investment advisory activities.
- Aon Retirement Plan Advisors, LLC – Federally registered investment adviser, pension consultant.
- Ennis Knupp Secondary Market Services, LLC – broker-dealer.
- Hewitt EnnisKnupp, Inc. – Federally registered investment adviser, pension consultant.
- Hewitt Financial Services LLC – broker-dealer.

Aon Financial & Insurance Solutions, Inc., an insurance agency, is a wholly-owned subsidiary of ABSI. In addition, there are other insurance agencies that fall within the Aon group of companies. There are no arrangements with Aon Financial & Insurance Solutions, Inc. or other Aon-affiliated insurance agencies that are material to ABSI's advisory business.

Item 11 **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Code of Ethics

ABSI seeks to foster and maintain a reputation for honesty, integrity, and professionalism. That reputation is a vital business asset. The confidence and trust placed in ABSI are highly valued and must be protected. As a result, ABSI and its associated persons must not act or behave in any manner or engage in any activity that creates even the suspicion or appearance of the misuse of material, nonpublic information by ABSI or any associated persons, or gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any advisory client.

ABSI expects to advise multiple clients, which may create conflicts of interest. ABSI has a fiduciary obligation to use its best efforts to ensure that no client is treated unfairly in relation to any other client in the allocation of securities or investment opportunities or in the order in which transactions are executed. ABSI will seek to allocate orders and investment opportunities among clients in a manner that it believes is equitable and in the best interests of all of its clients. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner.

The foregoing policy does not require that each opportunity be made available to all accounts, leaving significant discretion to ABSI. For example, there may be accounts with different objectives, so that the same transaction would not necessarily be made available to all accounts.

ABSI has adopted a Code of Ethics which sets forth standards of ethical and business conduct expected of ABSI advisory personnel and addresses conflicts that may arise from personal trading by ABSI advisory personnel. The ABSI Code of Ethics, among other things, requires compliance with the federal securities laws, reflects ABSI's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions, and requires ABSI advisory personnel to periodically report their personal securities transactions and preclear certain securities transactions and addresses prevention of the misuse of material nonpublic information.

The Code of Ethics will be provided to any client or potential client upon request.

Participation or Interest in Client Transactions

In the future, ABSI as a broker-dealer may execute securities transactions for Aon Corporation or other advisory clients, subject to ABSI's obligation as investment adviser to seek best execution.

Item 12 **Brokerage Practices**

ABSI, as a broker-dealer, has clearing agreements in place with two clearing firms (Pershing LLC and Raymond James & Associates) for two distinct aspects of its business. Raymond James & Associates produces research which is available to ABSI representatives using their trading platform, however, access to and/or utilization of this research is not contingent upon client securities transactions.

Item 13 **Review of Accounts**

Annuity Hedging Services

For annuity hedging programs, accounts will be reviewed by a senior level adviser (Managing Director and/or Associate Director) on a daily basis and a written or electronic confirmation will be made to the effect that we are satisfied that we are hedging with accurate information and the information being used as a basis for our decisions seems reasonable and appropriate.

System generated electronic reports will be available for annuity hedging clients to download/print/save, as they wish. Control reports are also produced and are used by ABSI to make sure that the assets and liabilities being correctly entered into the system. Other reports include risk reports which identify the exposures, as well as the instruments used in the hedging program, and the underlying risk factors associated with the liability that is being hedged. All reports are produced in a locked down SSAE 16 Type 2 compliant production environment.

System generated electronic reports will be available for annuity hedging clients to download/print/save, as they wish. Daily reports available to the client will include risk exposure information on their liabilities (variable annuity guarantees), assets (market tradable instruments), P&L and trading. ABSI will also provide clients with middle and back office real time views of blotters and trading activity (if the client wishes to use this service) at no additional charge. Automated daily, weekly, monthly, quarterly and yearly extensive performance and trading reports will be available to annuity hedging clients. Senior level advisers also review the system generated reports.

Triggering factors represent predetermined net risk factor exposure limits that have been previously documented and agreed upon by a client. Triggering factors may include predefined market movements and/or economic news. Typically these "triggering factors" or risk limits are arranged in a tiered fashion. For example, a first tier breach would notify us, and a larger breach (or second tier) would notify the client, and an even larger breach would notify other appropriate parties at the client. In this case information will be sent to parties by e-mail indicating what breach has occurred and what the recommended corrective action is, and taken together means we provide our clients with autonomous limit monitoring. Risk limits are set around equity exposures, interest rate exposures, foreign-exchange exposures, and equity implied volatility exposures and are thoroughly documented by the client and the part of the investment manager mandate and may be further broken down by tenor.

Client Referrals and Other Compensation**Client Referrals**

ABSI may enter into written agreements with and compensate unaffiliated third parties (each, a “Solicitor”) for soliciting new clients to its products or services. ABSI will comply with all relevant federal and state laws, including Rule 206(4)-3 under the Investment Advisers Act of 1940, when engaging Solicitors. Certain persons affiliated with ABSI may also perform solicitation activities on behalf of ABSI. Such persons will disclose their status as affiliates of ABSI to the prospect at the time of the solicitation or referral.

Item 15 **Custody**

ABSI does not hold or retain possession or custody of any client funds or securities.

Item 16 **Investment Discretion**

Annuity Hedging Services

With regard to annuity hedging programs that ABSI plans to launch, a client could determine and approve the securities that ABSI may purchase or sell in the course of managing the program. So, while ABSI does not expect the annuity hedging services to be wholly discretionary, ABSI may have the capability to exercise partial discretion, i.e., discretion within certain established parameters. For example, there may be a list of 15 derivative securities that ABSI is allowed to buy and sell. ABSI can then determine the quantity and the combination of the client's approved securities to buy or sell to manage the hedge program within predetermined risk tolerances based on market conditions.

Item 17 **Voting Client Securities**

ABSI does not have authority to vote client securities. Clients receive their proxies or other solicitations directly from their custodian or a transfer agent.

Item 18 **Financial Information**

ABSI is not aware of any financial commitments that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.