



Aviva Life and Annuity Company 611 Fifth Ave. Des Moines IA 50309 Tel 800 800 9882 Fax 515 242 4692
www.avivausa.com

May 3, 2010

Susan Ezalarab, CIE, CPCU, FLMI, MCM
Director, Bureau of Market Regulation
Office of the Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, WI 53707

RE: Market Conduct Examination Report for Aviva Life and Annuity Company

Dear Ms. Ezalarab:

This letter responds on behalf of Aviva Life and Annuity Company ("Aviva") to the recommendations set forth in the market conduct examination report, dated September 15-26 2008 (the "Report") and adopted by the Wisconsin Office of the Commissioner of Insurance ("OCI") on March 16, 2010. A separate letter responds on behalf of American Investors Life Insurance Company.

Aviva is proud of its achievements in the area of regulatory compliance and is continually reviewing its internal policies and procedures to enhance its business operations. Therefore, Aviva is appreciative of the recommendations provided by OCI in the Report and the cooperative nature of the examination process. As discussed in greater detail below, Aviva has taken action to address all of the recommendations contained in the Report. In many cases, these actions were taken prior to the issuance of the Report as part of Aviva's ongoing compliance review process.

RESPONSE TO RECOMMENDATIONS

The following responds to each of the specific recommendations contained in the Report.

Producer Licensing

Recommendation 1: It is recommended that the company obtain an annual certification or other appropriate written acknowledgement from any third party vendor responsible for agent appointments and terminations for purposes of verifying the vendor's compliance with s. Ins 6.80 (5), Wis. Adm. Code, with respect to company records maintained by such vendor.

Aviva Response: The vendor currently engaged by Aviva to maintain agent appointments and terminations has advised that it maintains such records on a

permanent basis, thus ensuring compliance with the record retention requirements set forth in s. Ins. 6.80(5), Wis. Adm. Code. Aviva will obtain an annual certification from this vendor (and any subsequent vendor responsible for agent appointments and terminations) certifying its compliance with s. Ins 6.80 (5), Wis. Adm. Code, with respect to records maintained on behalf of Aviva.

Recommendation 2: It is recommended that the company develop, document, and implement a process and procedure that requests the return of indicia from all terminated agents pursuant to s. Ins 6.57 (2), Wis. Adm. Code.

Aviva Response: Aviva is in the process of revising the form of the letter it sends to terminated agents to specifically request the return of all indicia, as required under s. Ins 6.57 (2), Wis. Adm. Code. Aviva will use the updated version of its agent termination letter on a going-forward basis with a target implementation date of May 30, 2010.

Recommendation 3: It is recommended that the company develop, document, and implement a procedure to ensure it submits agent applications for appointments to OCI within 15 days after the earlier of the date the agent contract is executed or the agent submits his or her first insurance application to the company, pursuant to s. Ins 6.57 (1), Wis. Adm. Code.

Aviva Response: Aviva's practice is to only accept business from agents who are properly licensed and appointed. To ensure compliance with this practice, Aviva has updated its agent appointment procedures to ensure that agent appointments for new agents writing business in Wisconsin are submitted to OCI within fifteen days after the earlier of the date the agent contract is executed or the agent submits his or her first insurance application to the company, pursuant to s. Ins 6.57 (1), Wis. Adm. Code. In those instances where an agent has an existing contract with Aviva involving business written outside of Wisconsin and subsequently begins writing business in Wisconsin, Aviva will appoint such agent within fifteen days from the date the first application is submitted.

Recommendation 4: It is recommended that the company develop and implement a process to ensure that the notification of termination of appointment of agents is filed prior to or within 30 days of the termination date with the Office of the Commissioner of Insurance as required by s. Ins 6.57(2), Wis. Adm. Code.

Aviva Response: In all but a few situations, Aviva complied with Wisconsin's agent termination notice requirements. To help ensure compliance in all instances, however, Aviva has reminded the business unit responsible for processing agent terminations to file termination notices with OCI within thirty

days following an agent's termination date. Aviva has also updated its internal policies and procedures for agent terminations to address this requirement.

Recommendation 5: It is recommended that the company develop, document, and implement a procedure to accurately maintain agent appointment and termination records, including ensuring that copies of agent termination letters and reasons for terminations are kept in the agent files, in compliance with s. Ins 6.80(5), Wis. Adm. Code.

Aviva Response: Aviva has implemented procedures to ensure that termination letters are maintained in the applicable agent files to ensure compliance with s. Ins. 6.80(5), Wis. Adm. Code. Aviva has also revised its termination checklist to record the basis for termination of each agent, thus ensuring that Aviva's agent termination records are accurate and complete. These checklists will be maintained by Aviva and will be included in the agent files. Each agent file will include information so the the reviewer of the agent file can determine the basis for termination of any given agent. These procedures have been implemented on a going-forward basis.

Recommendation 6: It is recommended that the company develop, document and implement a procedure to ensure a copy of the signed agent's contract is kept in the agent file to verify the date of contract, and in order to comply with s. Ins 6.57 (1), Wis. Adm. Code with regard to appointment of insurance agents by insurers.

Aviva Response: In nearly all cases, Aviva's agent files included a copy of the agent's contract. Aviva has revised its internal policies and procedures, however, to clarify that a signed copy of an agent's contract should be maintained in the agent's file at all times. Aviva will adhere to this policy on a going-forward basis.

Marketing, Sales, and Advertising

Recommendation 7: It is recommended that the company develop, document and implement a procedure that requires an advertisement which is mass-produced to be identified by a unique form number pursuant to s. Ins 2.16 (28), Wis. Adm. Code.

Aviva Response: Aviva's prior and current internal procedures require all mass-produced advertisements to include a unique form number. Furthermore, all mass-produced advertisements currently used in Wisconsin have a unique form number. For a relatively brief period of time, unique form numbers had been inadvertently omitted from certain advertisements used during the exam period. This oversight was promptly corrected by Aviva.

Recommendation 8: It is recommended that the company develop, document and implement a process and procedure to ensure that a notation is attached to each advertisement in the advertising file, indicating the manner and extent of distribution of each advertisement and the form number of any policy, amendment, rider, or endorsement form advertised pursuant to s. Ins 2.16 (30), Wis. Adm. Code.

Aviva Response: Aviva's advertising policies and procedures require that a notation be attached to each advertisement file indicating the manner and extent of distribution of each advertisement and the form number of any policy, amendment, rider or endorsement form advertised, thus ensuring compliance with s. Ins. 2.16(30), Wis. Adm. Code.

Policyholder Service & Complaints

Recommendation 9. It is recommended that all complaint files in the company complaint log contain complete documentation, including applicable policy numbers and final resolution letters to accurately reflect when and how each complaint was resolved. The complaint log should also accurately reflect the current status of each complaint to ensure the company is in compliance with its own complaint handling procedures and s. Ins 6.80 (5), Wis. Adm. Code.

Aviva Response: It is Aviva's policy and practice to maintain all documents and correspondence, including applicable policy numbers and final resolution letters, in policy files referenced within a complaint letter. In most cases, the issues cited in the Report were attributable to a systems upgrade that was implemented in November 2006. With the system upgrade in place, Aviva's current complaint log accurately reflects the status of each complaint and is updated throughout the complaint resolution process. The complaint log also accurately reflects when and how each complaint is resolved, thus ensuring compliance with Aviva's internal complaint handling procedures and Wisconsin's record retention laws.

Underwriting – New Business

Recommendation 10. It is recommended that the company establish and implement a procedure to ensure it is in compliance with its own company procedures and s. Ins 2.07 (5)(a)1, Wis. Adm. Code which requires the company to secure with or as part of each application the statements required by sub. (4)(a) as to whether the new insurance or annuity will replace existing insurance or annuity on the same life; s. Ins 2.07 (5) (a) 4a, Wis. Adm. Code which requires the insurer to secure with each application in which replacement is involved a properly completed Notice (replacement form); and s. Ins 2.07 (5) (a) 4b, Wis. Adm. Code which requires the company to mail a notice of possible replacement to the company being replaced within 5 days of receipt of the application.

Aviva Response: With respect to Aviva's annuity business, Aviva recently conducted replacement training with its New Business staff which addressed, among other issues, the regulatory requirements under s. Ins. 2.07(5), Wis. Adm. Code. Aviva is also planning to conduct periodic follow-up training on replacements for New Business representatives. Aviva has developed written procedures addressing replacement issues and has posted these procedures on the Aviva USA Learning & Development site of AvivaWorld, an internal intranet site. These procedures emphasize the need to make sure proper state replacement forms and notices are provided and received with every replacement application, which would include Wisconsin's Important Notice.

With respect to Aviva's life insurance business, Aviva has procedures in place to ensure that proper logging and notification occurs upon receipt of an application. If the required replacement forms are not received with an application, Aviva's system notates the outstanding requirement(s), which then communicates to the producer that a fully completed and signed replacement form must be received prior to the issuance of the policy. If the necessary forms are not received, then Aviva will not issue an insurance policy.

Recommendation 11. It is recommended that the company further enhance the written policies and procedures implemented by the company pursuant to s. 628.347, Wis. Stat., by developing, documenting and implementing a process to monitor an agent's new annuity sales when a high percentage of an agent's new business, as determined by the company, is identified as involving a replacement. The company should take into consideration the percentage of withdrawals or surrenders from an agent's existing annuity business with the company, when reviewing an agent as part of the company's agent monitoring program.

Aviva Response: Aviva has implemented an Agent Monitoring Team that investigates agents for possible misconduct. On a periodic basis, the Company compiles a listing of all agents with high replacement ratios based upon total applications submitted. The Agent Monitoring team selects agents with the highest replacement ratio and investigates sample replacement cases from those agents for a more detailed comparison of the replaced and new contracts. As part of the Agent Monitoring Team's standard procedure, the Company has incorporated into its procedures consideration of an agent's persistency when conducting a review.

Recommendation 12. It is recommended that the company modify its system to keep a record of the original writing agent when the agent of record is changed in order that the correct information is available to the commissioner as required by s. Ins 6.80 (5), Wis. Adm. Code.

Aviva Response: Aviva maintains a record of the original writing agent when the agent of record is changed. Aviva is also pursuing certain system modifications to how agents reports are run in order to accurately report production information by the original writing agent, thus ensuring this information is readily available for future review by the commissioner.

Underwriting – Suitability

Recommendation 13. It is recommended that the company further enhance the written policies and procedures implemented by the company pursuant to s. 628.347, Wis. Stat., by further developing and documenting guidelines for the Suitability Review Team (SRT). The guidelines should be modified to provide additional guidance to the SRT by providing criteria to be considered when reviewing files and determining whether the agent had reasonable grounds for believing that the recommendation was suitable for the consumer on the basis of facts disclosed by the consumer.

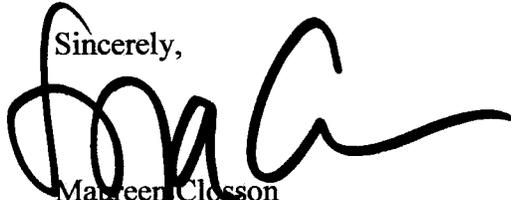
Aviva Response: As a best practice, Aviva has enhanced its established suitability review process to provide additional training and guidance to the Suitability Review Team on red flag issues and files that contain certain pre-determined characteristics. This guidance is intended to assist the reviewer in determining whether the agent had a reasonable basis for making the recommendation to purchase or exchange an annuity. While the pre-determined criteria serve as guidance, each file is reviewed individually based on its own set of facts and circumstances to determine whether the agent had reasonable grounds for believing that the recommendation was suitable for the consumer on the basis of all information disclosed by the consumer.

Recommendation 14. It is recommended that the company develop, document, and implement a process and procedure to ensure that all of its agents are provided with the company's Position on Suitability and the Suitability Guide For Agents to ensure compliance with s. 628.347 (3) (a), Wis. Stat. with regards to suitability of annuity sales.

Aviva Response: Aviva plans to send a mailing to all existing agents writing business in Wisconsin containing a copy of the Suitability Guide for Agents and the Position of Suitability. In addition, Aviva will be implementing a temporary process whereby the Agency Contracting team will manually send a copy of these items to all new agents upon execution of new agent contracts. Ultimately, Aviva will automate this process to ensure all agents automatically receive these materials and update its written policies and procedures accordingly.

Thank you for the opportunity to provide our responses to the Report. Aviva is continually enhancing its internal policies and procedures and strives to be an industry leader in regulatory compliance. As part of these efforts, Aviva is committed to complying with the recommendations contained in the Report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mairéad Closson', written in a cursive style.

Mairéad Closson
Senior Vice President
Chief Compliance Officer