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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 American Investors Life Insurance  
Company, Inc.

Dear Ms. Ezalarab:

This letter responds to the recommendations contained in the market conduct examination report for American Investors Life Insurance Company, Inc. ("Aviva"), dated January 22, 2008 to February 1, 2008 (the "Report"), and adopted by the Wisconsin Office of the Commissioner of Insurance ("OCI") on March 16, 2010. As you are aware, American Investors Life Insurance Company merged into Aviva Life and Annuity Company subsequent to the exam period covered by the Report.

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.

### **Policyholder Service and Complaints**

**Recommendation 1.** It is recommended that the company document its procedures in writing or include a written procedure in the Complaint Handling Policy for the handling of suitability complaints to further enhance the written policies and procedures implemented by the company pursuant to s. 628.347, Wis. Stat.

*Aviva Response: Aviva has updated its written complaint handling guidelines to specifically address the handling of suitability complaints. In reviewing suitability complaints, the guidelines call for a review of agent statements and all documentation provided, including any fact finder or other information, to ensure that the agent had a reasonable basis for making the recommendation for the purchase or exchange of the annuity product at issue. The guidelines further provide that the assessment of what is “reasonable” for a given consumer should be based on information concerning the consumer’s needs and objectives known by the agent at the time of the sale.*

### **Producer Licensing**

**Recommendation 2:** 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 3:** It is recommended that the company develop, document, and implement a procedure to accurately maintain agent appointment and termination records 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 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 4:** It is recommended that the company develop and implement a process to ensure that each terminated agent whose appointment to represent the company has been terminated, receives a written notice of termination of appointment and this notice is sent prior to or within 15 days of filing a termination notice with the Office of the Commissioner of Insurance as required by s. Ins 6.57(2), Wis. Adm. Code.

*Aviva Response: Aviva has updated its internal procedures to ensure that terminated agents receive written notice of the termination of their appointments prior to or within fifteen days of filing a termination notice with OCI. These procedures are currently in effect and will be implemented for all appointment terminations on a going-forward basis.*

**Recommendation 5:** It is recommended that the company develop and implement a process to provide all agents whose appointment to represent the company has been terminated, a written notice stating that the agent is no longer a representative of the company, that he or she may not act as its representative, and which includes a formal demand for the return of all indicia of agency as required by 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 clarify that such agents are no longer representatives of Aviva and may not act as its representative, and to request the return of all indicia as required by 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 6:** 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.*

#### **Underwriting – Suitability**

**Recommendation 7.** 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. The guidelines should be modified to provide additional guidance to the Suitability Review Team 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 8.** 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.*

#### **Underwriting - Replacement**

**Recommendation 9.** 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)4a, Wis. Adm. Code which requires the company to obtain with the application a copy of the Important Notice when replacement is indicated on the application.

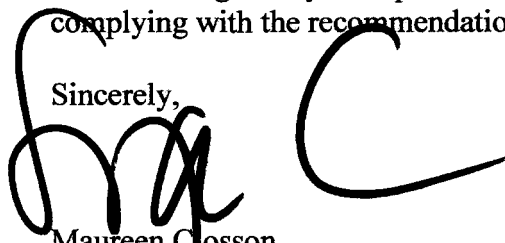
*Aviva Response: With respect to Aviva's annuity business, Aviva recently conducted replacement training with its New Business staff which addressed, among other issues, the regulatory requirements under s. Ins. 2.07(5), Wis. Adm. Code. Aviva is also planning to conduct periodic follow-up training on*

*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 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.*

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 'Maureen Cossion', followed by a large, stylized flourish that extends to the right.

Maureen Cossion  
Senior Vice President  
Chief Compliance Officer