



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Notice of Adoption and Filing of Examination Report

Take notice that the proposed report of the market conduct examination of the

ATHENE ANNUITY AND LIFE COMPANY
7700 MILLS CIVIC PARKWAY
WEST DES MOINES IA 50266-3862

dated September 5, 2014, and served upon the company on January 24, 2017, has been adopted as the final report, and has been placed on file as an official public record of this Office.

Dated at Madison, Wisconsin, this 14th day of July, 2017.

Theodore K Nickel
Commissioner of Insurance

**STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF INSURANCE**

MARKET CONDUCT EXAMINATION

OF

**ATHENE ANNUITY AND LIFE COMPANY
WEST DES MOINES, IOWA**

AUGUST 18–SEPTEMBER 5, 2014

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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September 5, 2014

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Honorable Theodore K. Nickel
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Madison, WI 53702

Commissioner:

Pursuant to your instructions and authorization, a targeted market conduct examination was conducted August 18 to August 22, 2014 of:

ATHENE ANNUITY AND LIFE COMPANY
West Des Moines, Iowa.

and the following report of the examination is respectfully submitted.

I. INTRODUCTION

Athene Annuity and Life Company was originally incorporated in 1896 as a mutual company under the title Central Life Assurance Society of the United States. It was reorganized as a stock company in 1902. In 1919 the company was mutualized again, and the word (Mutual) was added to its title. Its name was shortened to Central Life Assurance Society (Mutual) in 1924 and to Central Life Assurance Company in 1950. The name was changed to American Mutual Life in 1994 following the merger with American Mutual Life Insurance Company. The name was then changed to AmerUs Life Insurance Company on June 30, 1996, upon completion of the mutual holding company restructuring. In November of 2006, the AmerUs Group was acquired by Aviva plc. Aviva plc (Aviva) was the world's fifth-largest insurance group and the biggest in the United Kingdom. Aviva was the leading provider of life

and pension products in Europe and was actively increasing its long-term savings businesses in the Asian markets, Australia, and the United States.

Aviva's presence in the United States significantly increased with the completion of the acquisition of the AmerUs Group and its life insurance operating companies: AmerUs Life Insurance Company, American Investors Life Insurance Company, Indianapolis Life Insurance Company, and Bankers Life Insurance Company of New York. The name of AmerUs Life Insurance Company was changed to Aviva Life and Annuity Company November 1, 2007. The operations of the former AmerUs Group were integrated with Aviva's existing operations in the United States and functioned under the Aviva brand, headquartered in Des Moines, Iowa.

On October 2, 2013, Athene Holding Ltd. (Athene Holding, and together with its subsidiaries, Athene) announced the completion of its acquisition of Aviva USA Corporation and its subsidiaries, including Iowa-domiciled Aviva Life and Annuity Company and New York-domiciled Aviva Life and Annuity Company of New York, for \$1.55 billion. Athene also announced that it completed the sale of Aviva USA's life insurance operations to Presidential Life Insurance Company – USA, a wholly owned subsidiary of Commonwealth Annuity and Life Insurance Co. and part of the Global Atlantic Financial Group.

As of December 2013, A. M. Best Company downgraded the financial strength rating (FSR) to B++ (Good) from A- (Excellent) and the issuer credit ratings (ICR) to bbb+ from a- of Aviva Life and Annuity Company (ALAC) (West Des Moines, Iowa) and its wholly owned subsidiary, Aviva Life and Annuity Company of New York (ALACNY) (Melville, New York) (together referred to as Aviva USA). All ratings have been removed from under review with negative implications and assigned a stable outlook. These actions followed the completed acquisition of Aviva USA by Athene Holding Ltd. (Athene).

Concurrently, A. M. Best affirmed that the FSR of B++ (Good) and ICR of bbb+ of Athene Annuity and Life Assurance Company (Athene Annuity) and its subsidiary, Investors Insurance Corporation (IIC), which was merged into Athene Annuity by year-end 2013, along

with Presidential Life Insurance Company (PLIC) (Nyack, New York). The outlook for these ratings is stable.

The rating actions for Aviva USA, Athene Annuity, and PLIC reflected the common ownership by Athene and the anticipated new annuity sales disruptions given the change in ownership as product changes were implemented and shared among the companies. Additionally, the ratings of Aviva USA reflected the possible volatility in financial results over the intermediate term resulting from post-closing issues related to the Aviva USA transaction, which the company had to get past in order to establish core trends for rating purposes, and the continued risks associated with the integration of a much larger entity of almost three times the size of Athene's current organization. While A. M. Best Company remained concerned regarding these risks associated with the integration and the potential volatility in financial results over the intermediate term, A. M. Best Company noted that Athene had established a history of successful acquisition integration while establishing an early trend of profitability.

Offsetting these negative rating factors were Athene's anticipated adequate level of risk-adjusted capitalization post-acquisition, a track record of successfully acquitting smaller- to medium-sized transactions with a demonstrated ability to achieve earnings accretion early on and an experienced management team in the annuity business with a history of capital support with institutional investors.

Aviva Life and Annuity was licensed in the District of Columbia and all states except New York during the period of review and operated in the same areas as Athene Annuity and Life Company (AALC or the company). Aviva (Athene) operated as Aviva Life and Annuity of New York during the period of review and operates as Athene Life and Annuity of New York at this writing.

The following table summarizes the total direct national premium written in 2012 and 2013 as compared it to the total direct premium written in Wisconsin.

National Direct Business to Wisconsin Direct Business Summary

2013					
	Life Insurance Premiums	Annuity Considerations	A&H Premiums	Deposit Type Funds	Other Considerations
Wisconsin	\$ 25,857,923	\$ 38,065,600	\$ 157,712	\$ 14,446,881	\$ 508,308
National	931,751,776	2,086,428,242	3,500,236	542,971,074	9,651,257
Wisconsin as a % of National	2.8%	1.8%	4.5%	2.7%	5.3%

2012					
	Life Insurance Premiums	Annuity Considerations	A&H Premiums	Deposit Type Funds	Other Considerations
Wisconsin	\$ 28,401,054	\$ 93,331,395	\$ 164,391	\$ 16,802,148	\$ 448,063
National	1,409,224,203	4,132,639,742	3,902,389	430,340,007	9,951,773
Wisconsin as a % of National	2%	2.25%	4%	3.9%	4.5%

The majority of the premium written by the company both nationally and in Wisconsin in 2012 and 2013 was in annuities. Schedule T pages from the company's annual statements in both 2012 and 2013 indicate that although the company is not licensed to do business in American Samoa, Guam, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands and Canada, premium was received from all of them, the majority of it in life insurance and deposit-type contracts.

The following tables summarize the company's Wisconsin premium written and benefits paid in for 2012 and 2013 broken down by line of business.

Wisconsin Life Insurance Business

2013					
	Ordinary	Credit Life	Group	Industrial	Total
Direct Premiums and Annuity Considerations					
Life Insurance	\$25,857,923	\$0	\$ 2,365	\$0	\$25,860,288
Annuity Considerations	38,065,600	0	119,131	0	38,184,731
Deposit-type Contract	14,466,881	0	0	0	14,466,881
Other Considerations	0	0	508,308	0	508,308
Total	\$78,390,404	\$0	\$629,804	\$0	\$79,020,208

Direct Claims and Benefits Paid					
Death Benefits	\$16,572,377	\$0	\$ 0	\$0	\$16,572,377
Annuity Benefits	17,361,586	0	1,872,437	0	19,234,023
All Other Benefits	141,704	0	0	0	141,704
Total	\$34,075,667	\$0	\$1,872,437	\$0	\$35,948,104

2012					
	Ordinary	Credit Life	Group	Industrial	Total
Direct Premiums and Annuity Considerations					
Life Insurance	\$ 28,401,054	\$0	\$ 2,365	\$0	\$ 28,403,419
Annuity Considerations	93,331,395	0	439,184	0	93,770,579
Deposit-type Contract	16,802,148	0	0	0	16,802,143
Other Considerations	0	0	448,063	0	448,063
Total (Sum of Lines 1 to 4)	\$138,534,597	\$0	\$ 889,612	\$0	\$139,424,204

Direct Claims and Benefits Paid					
Death Benefits	\$ 15,925,836	\$0	\$0	\$ 0	\$15,925,836
Annuity Benefits	18,377,416	0	0	1,597,711	19,975,127
All Other Benefits	136,356	0	0	0	136,356
Totals	\$ 34,439,608	\$0	\$0	\$1,597,711	\$36,037,319

In 2012, the company ranked as the 19th largest writer of annuities in Wisconsin, with a 1.4% market share. In addition, the company ranked as the 17th largest writer of ordinary life insurance in Wisconsin, posting a 1.4% market share.

In 2011, the company ranked as the 20th largest writer of annuities in Wisconsin, with a 1.8% market share. In addition, at that time the company ranked as the 14th largest writer of ordinary life in Wisconsin.

The Office of the Commissioner of Insurance (OCI) received 39 complaints against the company between January 1, 2011, and May 31, 2014. A complaint is defined as “a written communication received by the commissioner’s office that indicates dissatisfaction with an insurance company or agent.” The following tables categorize the complaints received against the company by type of policy and complaint reason. There may be more than one type of coverage and/or reason for each complaint.

2013

Coverage Type	Reason Type											
	Total		Underwriting		Marketing and Sales		Claims		Policyholder Service		Other	
	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total
Individual Life	11	65%	1	50%	1	20%	0	0%	8	73%	1	9%
Group Life	0	0	0	0	0	0	0	0	0	0	0	0
Individual Annuity	6	35	1	50	4	80	0	0	1	17	0	0
Group Annuity	0	0	0	0	0	0	0	0	0	0	0	0
Credit Life	0	0	0	0	0	0	0	0	0	0	0	0
All Others	0	0	0	0	0	0	0	0	0	0	0	0
Total	17	100%	2	12%	5	29%	0	0%	9	53%	1	6%

2012

Coverage Type	Reason Type											
	Total		Underwriting		Marketing and Sales		Claims		Policyholder Service		Other	
	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total
Individual Life	5	45%	1	20%	1	20%	0	0%	3	75%	0	0%
Group Life	0	0	0	0	0	0	0	0	0	0	0	0
Individual Annuity	6	55	4	80	1	16	0	0	1	25	0	0
Group Annuity	0	0	0	0	0	0	0	0	0	0	0	0
Credit Life	0	0	0	0	0	0	0	0	0	0	0	0
All Others	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	100%	5	45%	2	18%	0	0%	4	36%	0	0%

2011

Coverage Type	Reason Type											
	Total		Underwriting		Marketing and Sales		Claims		Policyholder Service		Other	
	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total
Individual Life	2	18%	0	0%	1	25%	0	0%	1	100%	0	0%
Group Life	0	0	0	0	0	0	0	0	0	0	0	0
Individual Annuity	9	82	6	100	3	75	0	0	0	0	0	0
Group Annuity	0	0	0	0	0	0	0	0	0	0	0	0
Credit Life	0	0	0	0	0	0	0	0	0	0	0	0
All Others	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	100%	6	55%	4	36%	0	0%	1	9%	0	0%

II. PURPOSE AND SCOPE

A targeted and compliance examination was conducted to determine whether the company's practices and procedures comply with the Wisconsin insurance statutes and rules and to assess the effect on market conduct of the relatively recent acquisition of the former Aviva Life and Annuity by Athene Holding. The examination covered individual annuity business in Wisconsin and included, but was not limited to, a review of claims; company operations and management; marketing, sales and advertising; policy forms; policyholder service and complaints; producer licensing; and new business; which included replacement business and suitability review. This report is prepared on an exception basis and comments on those areas of the company's operations where adverse findings were noted. The examination also included a review of any subsequent events deemed important by the examiner-in-charge during the examination. The examination focused on the period from January 1, 2011, through May 31, 2013.

In addition, a new suitability in annuity transactions law went into effect in the state of Wisconsin on May 1, 2011. The legislation requires that the sale of an individual annuity be suitable for the consumer based on the person's financial status and needs. Section 628.347, Wis. Stat., requires that insurers establish and maintain a system to supervise the recommendations of its agents. The law also requires that agents must complete a four-hour annuity training course and the company's product training prior to the company accepting any annuity applications from the agents after November 1, 2011. The examiners attempted to verify that the company had established an effective system to supervise the recommendations of its agents and had a system in place to prevent the processing of annuity applications from agents who had not completed the proper annuity training.

III. PRIOR EXAMINATION RECOMMENDATIONS

The previous market conduct examination of the company, as adopted March 16, 2010, contained 14 recommendations. Following are the recommendations and the examiners' findings regarding the company's compliance with each recommendation.

Producer Licensing

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.

Action: Compliance

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.

Action: Compliance

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.

Action: Compliance

4. It is recommended that the company develop and implement a procedure 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.

Action: Compliance

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.

Action: Compliance

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.

Action: Compliance

Marketing, Sales and Advertising

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.

Action: Compliance

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.

Action: Compliance

Policyholder Service and Complaints

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.

Action: Compliance

Underwriting-New Business

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.

Action: Compliance

11. 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.

Action: Compliance

Underwriting-Suitability

12. 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.

Action: Compliance

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.

Action: Compliance

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. 628.348 (3) (a), Wis. Stat., with regards to suitability of annuity sales.

Action: Compliance

IV. CURRENT EXAMINATION FINDINGS

Claims

The examiners reviewed the company's response to the claims interrogatory. The claims department is located in the post issue processing area of the company. At the time of examination, this area was split between offices in Topeka, Kansas, and West Des Moines, Iowa. Plans at the time of examination were to consolidate these facilities at some future date.

Claims complaints are recorded in the complaint log and subjected to a case-by-case analysis. The analysis may include a review of policy file documents and a review of the agent response with any attachments. During the period of review, no claims were denied.

The examiners reviewed a sample of 50 claims paid. There were 15 exceptions noted and satisfactorily answered, with no recommendations.

Company Operations and Management

The examiners reviewed the company's response to the company operations and management interrogatory, the Athene USA business continuity plan, organizational plans, compliance plans, record retention plans, board meeting minutes, Wisconsin litigation records, and marketing plans. Of interest, there were only two cases of litigation involving the annuities of Wisconsin residents, and both were sent to the courts for interpleader action. There were seven exceptions written with satisfactory responses and no resultant recommendations.

Marketing, Sales, and Advertising

The examiners reviewed the company's response to the marketing, sales, and advertising interrogatory. The company departments responsible for the marketing, sales, and advertising of annuity products are the marketing department, for marketing and advertising functions, and the sales department, for sales functions.

The examiners reviewed 50 advertising files. There were 16 exceptions recorded and satisfactorily answered with no recommendations.

Policy Forms

The examiners reviewed the company's response to the policy forms interrogatory. The annuity product compliance team, under the auspices of the legal and compliance departments, is responsible for form filings.

The company complies with s. Ins 6.85, Wis. Adm. Code, requiring an insurer to notify its insureds of their right to file a complaint with OCI by attaching its complaint notice to the policy, which is sent to the agent for delivery to the insured

The examiners reviewed a sample of 77 policy forms. No exceptions were written.

Policyholder Services and Complaints

The examiners reviewed the company's response to the policyholder service and complaints interrogatory. The annuity inforce department is responsible for responding to policyholder service requests. This department consists of two teams: financial and non-financial. The financial team is responsible for all policyholder service requests for contract funds. The non-financial team is responsible for all policyholder service requests not involving the disbursement of contract fund.

The examiners reviewed 81 OCI complaint files and 50 company complaint files. The examiners wrote 4 exceptions, which were answered satisfactorily.

Producer Licensing

The examiners reviewed the company's response to the producer licensing interrogatory. The agency services department is responsible for contracting and appointment of agents to sell the company's products, ensuring that agents' license records are kept up to date on the company's system, and administering commission payments.

The company provides ongoing training opportunities for its marketing partners and agents in the field. Training sessions are available via webinar, conference call, or in-person meetings, as well as the home office hosting training sessions twice a month.

The examiners examined 50 samples of appointed producer licensing files and 50 terminated producer licensing files. The examiners wrote 11 exceptions, with 3 resultant recommendations.

In their review of producer termination samples, the examiners found 8 files of producers who were notified that there was no proof on file to show they fulfilled their required anti-money laundering (AML) refresher training. The file also lacked company follow-up indicating real-time status, consisting of proof that AML training had since been received or termination notices had been sent to producers who had not completed the training as per company requirement. The notice sent to producers who did not have proof of the completion of the AML refresher training did not receive official notice of termination as required by s. Ins 6.57 (2), Wis. Adm. Code, which states in part that "prior to or within 15 days of filing a termination notice with OCI, the insurer shall provide the producer written notice that the producer is no longer to be appointed with, or act as a representative of, the company. This notice shall also include a formal demand for the return of all indicia of agency."

- 1. Recommendation:** It is recommended that the company develop, document and revise its procedures to provide all agents whose appointment to represent the company has been terminated with 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 indicates the specific termination date and a formal demand for the return of all indicia of agency as required by s. Ins 6.57 (2), Wis. Adm. Code.

In their review of agent licensing samples, examiners also found the files of two agents who were not appointed with the company at the time they submitted applications. The company agreed that the two listed agents were not appointed with the company at the time the applications were submitted hence that it had accepted business from unappointed agents, a violation of s. Ins 6.57 (5), Wis. Adm. Code. The company stated that it has updated its process to make sure agents are appointed before accepting an application from the agent and to reconcile appointment records with the states on a quarterly basis.

2. **Recommendation:** It is recommended that the company follow its established procedures for not accepting any business from an agent until the agent has been properly appointed with the company as required by s. Ins 6.57 (5), Wis. Adm. Code.

Underwriting and New Business—Annuity

The examiners reviewed the company's response to the new business and underwriting interrogatory. The new business department is responsible for entering the customer's application information into the administration system, identification of missing requirements, ensuring suitability review has occurred, application of cash, and issue of the policy.

The examiners reviewed 50 new business files. The examiners wrote 15 exceptions, with 1 resultant recommendation. The examiners found 6 annuity applications that were determined not to be acceptable and whose decline letters did not contain a written reason for denial as provided in s. 631.17 (2), Wis. Stat., which states an insurer that denies coverage under an individual or group life or disability insurance policy or a certificate of group life or disability insurance shall advise the applicant or proposed insured in writing of the reasons for the denial.

3. **Recommendation:** It is recommended that the company revise and document its written underwriting procedures to ensure that proposed insureds receive a written reason for denial of coverage as required by s. 631.17 (2), Wis. Stat.

Replacements

The examiners reviewed the company's response to the replacements interrogatory. The new business department determines if replacement forms are needed, given where the application was taken and the state replacement requirements. In the case of a Wisconsin application, the company requires a Wisconsin replacement form. The company's definition of internal replacement occurs when the company issues or proposes to issue a new annuity

contract that meets the state definition of a replacement involving an existing contract issued by the company.

The company compliance department continually monitors for updates to laws and regulations that affect current processes or procedures. Company records show that the compliance department communicated the requirements of the s. Ins 2.07, Wis. Adm. Code, changes to the affected business units in October 2009.

The examiners reviewed 50 new business replacement samples. The examiners wrote 11 exceptions, with 1 resultant recommendation.

The company's policies reviewed stated the free look period was 20-days. The examiners inquired how the company was in compliance with s. Ins 2.07 (6) (a) 4., Wis. Adm. Code, which states that the company must provide to the contract owner notice of the right to return the contract within 30 days of the delivery of the contract and receive an unconditional full refund of all premiums paid. The company responded stating the required important notice contained information about the 30-day right to return, and agents were trained to review the terms and provisions of any contract being delivered, specifically the free look opportunity.

There was one recommendation written.

4. **Recommendation:** It is recommended that the company change the 20-day right to return language on the front page of its policies to the 30-day free look to ensure compliance with s. Ins 2.07 (6) (a) 4., Wis. Adm. Code.

Suitability of Annuity Sales

The examiners reviewed the company's response to the suitability interrogatory. The company stated its suitability procedures and guidelines, which require review of all submitted applications, had been created to ensure that the producer had adequately documented the file to support the reasonable character of the recommendation of the sale to the consumer.

The examiners reviewed the 50 new business samples. During the review the examiners found that the company does not ask specific questions relating to age and risk tolerance on its suitability form as required by s. 628.347 (1) (e) 1 and 11, Wis. Stat.

The examiners wrote 8 exceptions and 1 recommendation for the annuity review.

5. **Recommendation:** It is recommended that the company develop and implement a suitability form that includes questions relating to age and risk tolerance to comply with the requirements of s. 628.347 (1) (e) 1 and 11, Wis. Stat.

V. CONCLUSION

The market conduct examination of Athene Annuity and Life Company was conducted by the Wisconsin Office of the Commissioner of Insurance to determine compliance with the prior recommendations made in the market conduct examination report adopted on March 31, 2010. The examination was also conducted to verify that the company has developed and implemented policies and procedures designed to ensure compliance with s. 628.347, Wis. Stat., which governs the suitability of annuity transactions.

The examiners reviewed files in the functional categories of company operations and management; underwriting and new business; policy forms; policyholder service and complaints; marketing, sales, and advertising; producer licensing; and claims. The examiners found that the company had complied with 14 of 14 recommendations made in the previous market conduct examination report adopted March 16, 2010.

The examiners wrote two recommendations in the area of producer licensing. The examiners found that the company's termination notice did not include a formal demand for the return of all indicia of agency and a specific termination date. The examiners also found that the company did not follow its established procedures by accepting business from an agent that was not appointed with the company.

The examiners wrote one recommendation in the area of underwriting and new business. The examiners found six instances in which the company did not send formal letters to applicants whose applications were declined.

The examiners wrote one recommendation with reference to replacements. The examiners found a discrepancy between the language on the front page of the contract citing a 20-day right to return and the language on the Important Notice, which advises of a 30-day right to return.

The examiners wrote one recommendation regarding suitability. The examiners found that the company's suitability form lacked specific questions regarding age and risk tolerance.

VI. SUMMARY OF RECOMMENDATIONS

Producer Licensing

Page 14 1. It is recommended that the company develop, document and revise its procedures to provide all agents whose appointment to represent the company has been terminated with 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 indicates the specific termination date and a formal demand for the return of all indicia of agency as required by s. Ins 6.57 (2), Wis. Adm. Code.

Page 15 2. It is recommended that the company follow its established procedures for not accepting any business from an agent until the agent has been properly appointed with the company as required by s. Ins 6.57 (5), Wis. Adm. Code.

Underwriting and New Business—Annuity

Page 15 3. It is recommended that the company revise and document its written underwriting procedures to ensure that proposed insureds receive a written reason for denial of coverage as required by s. 631.17 (2), Wis. Stat.

Replacements

Page 16 4. It is recommended that the company change the 20-day right to return language on the front page of its policies to the 30-day free look to ensure compliance with s. Ins 2.07 (6) (a) 4., Wis. Adm. Code.

Suitability of Annuity Sales

Page 17 5. It is recommended that the company develop and implement a suitability form that includes questions relating to age and risk tolerance to comply with the requirements of s. 628.347 (1) (e) 1. and 11, Wis. Stat.

VI. ACKNOWLEDGEMENT

The courtesy and cooperation extended to the examiners during the course of the examination by the officers and employees of the company is acknowledged.

The following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination.

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Respectfully submitted,

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Examiner-in-Charge