



# Illinois Department of Insurance

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JB Pritzker  
Governor

Dana Popish Severinghaus  
Acting Director

VIA ELECTRONIC MAIL

November 29, 2021

Mr. Grant Kvalheim, President  
Athene Annuity and Life Company  
7700 Mills Civic Parkway  
West Des Moines, IA. 50266

**Re: Athene Annuity and Life Company, NAIC 61689**  
***Market Conduct Examination Report Closing Letter***

Dear Mr. Kvalheim:

The Department has received your Company's proof of compliance. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer  
Chief Market Conduct Examiner  
Illinois Department of Insurance  
320 West Washington St., 5th Floor  
Springfield, IL 62767  
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**ILLINOIS DEPARTMENT OF INSURANCE  
MARKET CONDUCT EXAMINATION**

**OF**

**ATHENE ANNUITY AND LIFE COMPANY**

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: July 15, 2019 through July 14, 2020

EXAMINATION OF: Athene Annuity and Life Company, NAIC Number 61689

LOCATION: 7700 Mills Civic Parkway  
West Des Moines, IA 50266

PERIOD COVERED: Claims: May 1, 2018 through April 30, 2019  
Complaints: November 27, 2017 through April 30, 2019

EXAMINERS: Donna Lee Williams, Esq.  
Karina Ruthenberg  
Don Gaskill, CFE, GRCP, GRCA  
David Gordon, CISA, CIA, CFE, CDFE  
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PAHM, Supervisory Insurance Examiner

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## I. FOREWORD

This is a market conduct examination report of Athene Annuity and Life Company (the “Company”), NAIC Code 61689. This examination was conducted at the offices of the Company at 7700 Mills Civic Parkway, West Des Moines, IA 50266, the office of the Illinois Department of Insurance in Springfield, Illinois or other authorized offsite locations.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures or files does not constitute approval thereof by the Illinois Department of Insurance (“IDOI” or “Department”).

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

## II. SCOPE OF THE EXAMINATION

The Department has the authority to conduct this examination pursuant to, but not limited to, 215 ILCS 5/132.

The purpose of the examination was to determine if the Company complied with the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Administrative Code (50 Ill. Admin. Code 101 et seq.), and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review was May 1, 2018 through April 30, 2019 and November 27, 2017 through April 30, 2019 for complaints, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination involved the following business functions and lines of business: claims handling practices; policy forms and advertising in use; producer licensing; and the handling of consumer complaints and Department complaints for life and annuity business.

In performing this examination, the examiners reviewed a sample of the Company's practices, procedures, products, forms, advertising, extra-contractual claim adjudication guidelines, and files. Therefore, some noncompliant events may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

### III. SUMMARY

The following represents general findings, however specific details are found in each section of the report.

TABLE OF TOTAL VIOLATIONS							
Criticism	Crit #	Statute/Rule	Description of Violation	Population	Samples	# of Violations	Error %
IDOI Complaints	1	215 ILCS 5/154.6(c)	Failed to pay a claim in a timely manner.	24	24	1	4%
IDOI Complaints	2	50 Ill. Admin. Code 1406.90(a)	Failed to provide an annual statement to the policyholder resulting in complaints.	24	24	3	13%
Life Annual Statements	15	50 Ill. Admin. Code 1406.90(a)	Failed to provide an annual statement to the policyholder.	692	113	6	5%
Life Annual Statements	16	50 Ill. Admin. Code 1406.90(b)	Failed to provide the required Important Policy Owner Notice Statement on the annual statement.	692	113	1	1%
Paid Life Claims	9	215 ILCS 5/224(1)(l)	Failed to pay the beneficiary interest of ten percent when the claim was paid after thirty-one days of receipt of due proof of loss.	307	78	1	1%
Paid Life Claims	10	215 ILCS 5/224(1)(l)	Failed to notify the insured's beneficiary of the availability of interest due to delayed claim processing.	307	78	78	100%
Annuity Death Settlements	11	50 Ill. Admin. Code 919.30(c)	Failed to provide detailed documentation in order to permit reconstruction of the activity of the claim.	430	99	1	1%
Interrelated Finding-Change of Beneficiary	2	215 ILCS 5/149	Failed to have business practices in place to ensure an accurate and timely process of the insured's request for a change of beneficiary.	602	170	8	5%

#### IV. BACKGROUND

Athene Annuity and Life Company (f/k/a Aviva Life and Annuity Company) is a stock life insurance company domiciled in the State of Iowa. Founded in 1896, the Company is licensed in the District of Columbia, Puerto Rico and all states except New York. The Company is a leading retirement services company offering savings products that are focused on simple, tax efficient solutions such as fixed indexed and fixed rate annuities through independent agents and financial institutions. The Company also issues group annuity contracts to employers related to pension risk transfers.

The Company is a direct, wholly owned subsidiary of Athene Annuity & Life Assurance Company (“AADE”), which in turn is an indirect, wholly owned subsidiary of Athene Holding Ltd., a Bermuda exempted company (“AHL”). On March 20, 2018, AHL contributed Athene USA Corporation (“AUSA”) (formerly known as Aviva USA Corporation) and its subsidiaries to AHL’s wholly owned subsidiary Athene Life Re Ltd. (“ALRe”).

In October 2013, AHL purchased Aviva USA and its subsidiaries from Aviva plc. In a simultaneous transaction with that purchase, AHL reinsured Aviva USA’s life insurance business to subsidiaries of Global Atlantic Financial Group (“GAFG”) and sold a life insurance company that AHL owned, Presidential Life Insurance Company (subsequently renamed “Accordia Life”), which was one of the GAFG reinsurers. The life business reinsured to GAFG included an in-force block of approximately 550,000 life insurance policies (inclusive of NY policyholders, which were written from a different entity), and the majority of those policies have since been novated to Accordia Life. GAFG/Accordia entered into an agreement with a licensed third-party administrator, Alliance-One, which is wholly owned by DXC Technology, Inc. (“DXC,” formerly known as “CSC”), to convert the in-force policies onto Alliance-One’s administration platform and to service new business going forward. GAFG/Accordia also agreed to convert certain annuity policies that were retained by AHL and certain of its insurance subsidiaries and which had been serviced on the same legacy Aviva administration systems, Alliance-One’s administration platform. Athene Holding Ltd.’s agreements with respect to the administration of the life business are with GAFG/Accordia. The Company does, however, have an agreement with Alliance-One with regard to the post-conversion administration of the annuity policies that had been on legacy Aviva administration systems and have now been converted onto Alliance-One’s administration platform.

Athene Annuity and Life Company  
2018 Illinois Premium

Line of Business	Total Premium
Life Insurance	\$3,768,169
Annuity Considerations	\$292,853,190



## V. METHODOLOGY

The market conduct examination covered the business for the period of May 1, 2018 through April 30, 2019 for claims, and November 27, 2017 through April 30, 2019 for complaints/appeal file review. Specifically, the examination focused on a review of the following areas:

- a. Department and Consumer Complaints
- b. Producer Licensing
- c. Claims

The review of the categories was accomplished through examination of appointed and terminated producer files, claim files, and complaint files. Each of the categories was examined for compliance with Department regulations and applicable state laws.

The report concerns itself with improper practices performed by the Company which resulted in failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to the Company addressing violations discovered in the review process. All valid violations were cited in the report. The following methods were used to obtain the required samples and to assure a methodical selection:

### Department and Consumer Complaints

The Department requested the Company provide all files relating to complaints received via the Department and those received directly from consumers. The Department also requested the Company provide files of all external independent reviews handled during the survey period.

Median periods were measured from the date of notification by the complainants to the date of response by the Company. The period under review was November 27, 2017 through April 30, 2019.

### Producer Licensing

New business was reviewed to determine if solicitations had been made by duly licensed persons.

### Claims

- a. Paid Life Claims – Payment for life claims made during the examination period.
- b. Annuity Death Settlements – Payment for settlements made during the examination period.

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and the Illinois Administrative Code (50 Ill. Admin. Code 101 et. seq.).

The Department defines due proof of loss as medical records, investigation materials, written proofs, claim forms, authorizations, or other reasonable evidence of claim that is ordinarily required of insureds or beneficiaries. The Department's position is that the 30 days to pay (31 days for interest) starts when the last proof required from the claimant (beneficiary), medical record, or investigation documentation is received by the Company.

Median payment periods were measured from the date all necessary proofs of loss were received to the date of payment or denial to the claimant. The period under review was May 1, 2018 through April 30, 2019.

VI. SAMPLE SELECTION

Survey	Population	Reviewed	% Reviewed
<b>COMPLAINTS</b>			
Consumer Complaints	20	20	100%
Department of Insurance Complaints	24	24	100%
<b>POLICY FORMS AND ADVERTISING</b>			
Policy Forms	6	6	100%
Advertising	863	863	100%
<b>PRODUCER LICENSING</b>			
Agents	2,329	142	6%
<b>POLICYHOLDER SERVICES</b>			
Annuity Cash Surrenders	1,382	159	12%
Annuity New Business Issued	1,740	114	7%
Annuity New Business Declined	39	39	100%
Annuity New Business Not Taken	158	79	50%
Annuity Replacements	927	113	12%
Annuity Annual Statements	253	25	10%
Annuity Premium Refunds	27	25	93%
Annuity One-Time Withdrawals	1,921	38	2%
Annuity Address Change	1,453	54	4%
Annuity Beneficiary Change	457	91	20%
Life Cash Surrenders	267	84	31%
Life Non-Forfeiture Options	1	1	100%
Life Annual Statements	692	113	16%
Life in Force Illustrations	333	25	8%
Life Premium Refunds	213	25	12%
Life One-Time Withdrawals	20	20	100%
Life Address Change	69	25	36%
Life Beneficiary Change	145	79	54%
<b>CLAIMS ANALYSIS</b>			
Life Paid Claims	307	78	25%
Annuity Death Settlements	430	99	23%
Approved Waiver of Premium	1	1	100%

## VII. FINDINGS

- a. Complaints
  - i. Consumer Complaints
    - 1. No exceptions were noted.
    - 2. The median for response was nine days.
  - ii. Department Complaints
    - 1. In one (1) instance of the twenty-four (24) IDOI complaint files reviewed, for an error percentage of four percent. The Company's activity of delaying payment on a claim caused an insured to file a complaint to the Department. The Company delayed payment on claims by failing to fully clarify needed documents causing duplicate requests or requesting death certificates for fictitious and uninvolved person. This is a violation of 215 ILCS 5/154.6(c).
    - 2. In three (3) instances of the twenty-four IDOI complaint files reviewed, for an error percentage of thirteen percent, the Company failed to have business practices in place to ensure accurate maintenance of policies during the conversion process of life insurance policies. Insureds filed complaints related to inaccurate statements due to their accounts being placed on restricted status. This impacted them by the Company requesting additional premium payments to cover premiums that had already been paid, but not applied; cash values were being misstated as well as policies going into default due to payments not being accurately reflected. This is a violation of 50 Ill. Adm 1406.90(a).
    - 3. The median for response was twenty days.
- b. Policy Forms and Advertising
  - i. Policy Forms
    - 1. No exceptions were noted.
  - ii. Advertising
    - 1. The population of 863 advertising forms were reviewed.
    - 2. No exceptions were noted.
- c. Producer Licensing
  - 1. There were 142 agents reviewed.
  - 2. No exceptions were noted.
- d. Policy Holder Services
  - i. Annuity Cash Surrenders
    - 1. There were 159 files reviewed.
    - 2. No exceptions were noted.
    - 3. Of the 159 annuity cash surrender files, 114 files were in house surrenders, forty files were administered by DXC, and five files were administered by Ameritas. The median for surrender was nine days for in house files, fifteen days for DXC files, and one day for Ameritas files.
  - ii. Annuity New Business Issued
    - 1. There were 114 in house files reviewed.
    - 2. No exceptions were noted.

- iii. Annuity New Business Declined
  - 1. There were thirty-nine in house files reviewed.
  - 2. No exceptions were noted.
- iv. Annuity New Business Not Taken
  - 1. There were seventy-nine in house files reviewed.
  - 2. No exceptions were noted.
- v. Annuity Replacements
  - 1. There were 113 in house files reviewed.
  - 2. No exceptions were noted.
- vi. Annuity Annual Statements
  - 1. There were twenty-five files reviewed. The files were administered by DXC.
  - 2. No exceptions were noted.
- vii. Annuity Premium Refunds
  - 1. There were twenty-five in house files reviewed.
  - 2. No exceptions were noted.
- viii. Annuity Service-Related Transactions
  - 1. There were thirty-eight one-time withdrawal files reviewed. Of the thirty-eight files, twenty-five were in house files, twelve files were administered by DXC, and one file was administered by Ameritas. No exceptions were noted.
  - 2. There were fifty-four address change files reviewed. Of the fifty-four files, twenty-five were in house files, twenty-three files were administered by DXC, and six files were administered by Concentrix (CIS). No exceptions were noted.
  - 3. There were ninety-one beneficiary change files reviewed. Of the ninety-one files, eighty-three were in house files, seven files were administered by DXC, and one file was administered by CIS. No exceptions were noted.
- ix. Life Cash Surrenders
  - 1. There were eighty-four files reviewed. The files were administered by GAFG.
  - 2. No exceptions were noted.
  - 3. The median for surrender was eight days.
- x. Life Non-Forfeiture Options
  - 1. There was one non-forfeiture file that was reviewed as outside of the experience period. The file was administered by GAFG.
  - 2. No exceptions were noted.
- xi. Life Annual Statements
  - 1. In six instances of the 113 annual statement files reviewed, for an error percentage of five percent, the Company failed to provide an annual statement to the policyholder. The files were administered by GAFG. This is a violation of 50 Ill. Admin. Code 1406.90(a).
  - 2. In one instance of the 113 annual statement files reviewed, for an error percentage of one percent, the Company failed to provide the required Important Policy Owner Notice Statement on the policyholder annual statement. The file was administered by GAFG. This is a violation of 50 Ill. Admin. Code 1406.90(b).

- xii. Life In-Force Illustrations
  1. There were twenty-five files reviewed. The files were administered by GAFG.
  2. No exceptions were noted.
- xiii. Life Premium Refunds
  1. There were twenty-five files reviewed. The files were administered by GAFG.
  2. No exceptions were found.
- xiv. Life Service-Related Transactions
  1. There were twenty one-time withdrawal files reviewed. The files were administered by GAFG. No exceptions were noted.
  2. There were twenty-five address change files reviewed. The files were administered by GAFG. No exceptions were noted.
  3. There were seventy-nine beneficiary change files reviewed. The files were administered by GAFG. No exceptions were noted.
- e. Claims
  - i. Paid Life Claims
    1. In one instance of the seventy-eight paid life claims files reviewed, for an error percentage of one percent, the Company failed to pay the beneficiary interest of ten percent when the claim was paid after thirty-one days of receipt of due proof of loss. It also failed to calculate the interest payable from the date of death. The Company made payment during the course of the examination. This is a violation of 215 ILCS 5/224(1)(l).

Criticism	Crit #	Statute Rule	Description of Violation	Underpaid
Paid Life Claims	09	215ILCS5/224(1)(l)	Failed to pay interest on a life claim due to delayed claim payment.	\$367.57

- 2. In seventy-eight instances of the seventy-eight paid life claims files reviewed, for an error percentage of 100%, the Company failed to notify the insured's beneficiary of the availability of interest due to delayed claim processing. This is a violation of 215 ILCS 5/224(1)(l).
- 3. Of the seventy-eight paid life claims files, seventy-six files were administered by GAFG and two files were in house life claims. The median for payment made by GAFG was eleven days. The median for payment was six days for in house claims.
- ii. Annuity Death Settlements
  1. In one instance of the ninety-nine annuity death settlement files reviewed, for an error percentage of one percent, the Company failed to provide detailed documentation in order to permit reconstruction of the Company's activities relative to each claim file. This is a violation of 50 Ill. Admin. Code 919.30(c).
  2. Of the ninety-nine annuity death settlement files, eighty-three files were in house settlements, eleven files were administered by DXC, and five files were administered by CIS. The median for settlement was seven days for in house files, ten days for DXC files, and one day for CIS files.

- iii. Approved Waiver of Premium
  - 1. There was one file reviewed. The file was administered by GAFG.
  - 2. No exceptions were noted.
  - 3. The payment was made in eight days.

## VIII. INTERRELATED FINDINGS

- In eight instances of the 170 change of beneficiary files reviewed, for an error percentage of five percent, the Company failed to have business practices in place to ensure an accurate and timely process of the insured's request for a change of beneficiary. Specifically, in three change of beneficiary files, the Company failed to accurately complete the service as requested by the policyholder. In the remaining five change of beneficiary files, the Company failed to process the request in a timely manner. For the files noted, the number of days the changes to the beneficiaries took to process ranged from 162 days to 3,392 days. This is a violation of 215 ILCS 5/149. The Company shall change its practices or procedures to ensure timely and accurate change to the policyholder's beneficiary.

**EXAMINATION DRAFT REPORT SUBMISSION**


The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Donna Lee Williams  
Karina Ruthenberg  
Don Gaskill  
David Gordon  
Lisa Bringman  
June Coleman, Examiner-in-Charge  
Shelly Schuman, Supervisory Insurance Examiner

Respectfully submitted,

*June Coleman*

JUNE COLEMAN  
EXAMINER-IN-CHARGE



SHELLY SCHUMAN  
SUPERVISING EXAMINER



# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**ATHENE ANNUITY AND LIFE COMPANY  
7700 MILLS CIVIC PARKWAY  
WEST DES MOINES, IA 50266**

### STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance (“Department”) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Athene Annuity and Life Company (“the Company”), NAIC 61689, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report covering the examination period of November 27, 2017 through April 30, 2019, which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.
3. Nothing in this Order is intended to form the basis for any disqualification under Rule 506 of Regulation D under the Securities Act of 1933 and therefore disqualification under rule 506(d)(1) should not arise as a consequence of this Order.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide an annual statement to the policyholder 50 IAC 1406.90(a)
2. Institute and maintain policies and procedures whereby the Company shall notify the insured's beneficiary of the availability of interest due to delayed claim processing. 215 ILCS 5/224(l)(1)
3. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above two (2) orders within 30 days of execution of this Order.
4. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$30,000.00 to be paid within 10 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of ATHENE ANNUITY AND LIFE COMPANY

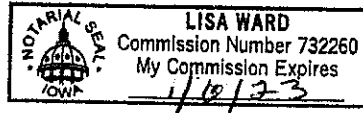
Megan Claypool  
Signature

Megan Claypool  
Name

SVP & Chief Compliance Officer  
Title

Subscribed and sworn to before me this  
14 day of Oct. 2021.

Lisa Ward  
Notary Public



DEPARTMENT OF INSURANCE of the  
State of Illinois:

DATE 10-20-21

Dana Popish-Severinghaus  
Dana Popish-Severinghaus  
Acting Director

