

No. **2021-6674**

**Official Order  
of the  
Texas Commissioner of Insurance**

**Date:** 2/1/2021

**Subject Considered:**

Athene Annuity and Life Company  
7700 Mills Civic Pkwy  
West Des Moines, Iowa 50266-3862

Consent Order  
TDI Enforcement File No. 13589

**General remarks and official action taken:**

This is a consent order with Athene Annuity and Life Company. Athene contracted with Accordia Life and Annuity Company to handle the conversion of certain annuity contracts to a new administration system. Accordia selected Alliance-One Services, Inc. to handle the conversion. The Texas Department of Insurance (TDI) alleges the conversion was mishandled, causing compliance issues, including inadvertently sending inaccurate information to contract holders, failing to timely send annual statements and process loan payments, and inadvertently delaying annuity distributions. Athene has agreed to pay an administrative penalty of \$400,000.

**Waiver**

Athene acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Athene waives these rights and any other applicable procedural rights in consideration of the entry of this consent order. Athene agrees to this consent order under TEX. INS. CODE § 82.055(b) with the express reservation that it does not admit to a violation of the Texas Insurance Code or of a rule and that the existence of a violation is in dispute.

## Findings of Fact

1. Athene is a life, health, and accident insurer holding a certificate of authority to transact business in Texas since January 1, 1909.

### Acquisition and Conversion

2. In October 2013, Athene Holding Ltd. acquired Aviva USA Corporation and its subsidiaries, including Aviva Life and Annuity Company. As a result, Athene became the owner of Aviva's annuity and life insurance businesses. Following the acquisition, Aviva was renamed Athene USA Corporation and Aviva Life and Annuity Company was renamed Athene Annuity and Life Company.
3. Following the acquisition, Athene Holding Ltd. sold Aviva's life insurance business to Accordia. Athene retained the annuity contracts and also contracted with Accordia to handle the conversion of certain annuity contracts to a new system administered by Alliance-One, a third-party administrator.
4. Under the terms of the relevant agreements, most of Aviva's life policies were assumed by and novated to Accordia, but some remained on Athene's paper. Athene represents all life policies were to be administered by Accordia, regardless of whose paper they were on.
5. Aviva had been using eight different legacy systems to administer its life policies and certain annuity products, including 13,452 Texas annuity contracts. Following Accordia's acquisition, the life policies and certain annuity products (including the Texas annuities) were converted to a single, modern system administered by Alliance-One.
6. The conversion to Alliance-One's system occurred via a contract between Accordia and Alliance-One. Separately, Athene contracted with Alliance-One to administer the converted annuities after the conversion was complete.
7. The conversion of the life policies and annuity products to Alliance-One's system was done in two waves. The annuities, including the Texas annuities, were part of the second wave. Before the annuities were converted, Athene represents it was assured by Alliance-One and Accordia that the conversion was ready to proceed.

8. Agents and contract holders received notice of the conversion before it began. The notices stated that, due to the conversion, Alliance-One would be unable to process certain transactions for brief periods.
9. The conversion took much longer than anticipated and as previously indicated in the notices due to problems converting to Alliance-One's systems. It was more than two years later, in approximately June 2018, that all of the Texas annuities were converted and removed from restricted status.

## Issues Caused by the Conversion

### *Restricted Status*

10. When the Texas annuities entered the conversion process many of them were placed on restricted status to protect the integrity of the information. Restricted status required manual administration in some instances and limited the ability to modify certain contract holder information and administrative preferences on Alliance-One's system. During the conversion process, certain annuity contracts were placed on restricted status multiple times. Athene implemented manual processes for administration while the annuity contracts were restricted.
11. While on restricted status, annuity contributions were not immediately allocated to the appropriate account. Instead, contributions were placed in a holding account until they could be manually processed as of the original date received.
12. While on restricted status, some contract holders experienced delays related to Alliance-One's system and call center responses. Some contract holders also experienced delays in one or more of the following:
  - a. receiving requested or updated information;
  - b. accessing account values or balances;
  - c. requesting withdrawals and loans;
  - d. receiving loan status information; and
  - e. receiving additional deposit and loan billing statements.

### *Delays and Errors with Information for Contract Holders*

13. Because of the conversion problems, Athene did not send annual statements to holders of certain Texas annuities while their annuity contracts were on restricted status. Annual statements were mailed to holders of Texas annuities after the annuity contracts were unrestricted.
14. While on restricted status, some Texas annuity contract holders either did not receive information, or received inaccurate information, about the status of their contributions, loan payments, and account balances. Upon request by the contract holder, Athene represents it manually prepared annual statements and other reports which provided account values to contract holders.
15. Athene represents not all of the converted policyholders experienced issues caused by the conversion.
16. During the conversion process, some contract holders received incorrect information, including inaccurate loan billing, account balances, and 1099 forms.
17. In 2018, Athene also discovered and reported to TDI a calculation error in Alliance-One's system that affected Texas annuities with an outstanding loan balance. Athene represents that compound interest has since been applied to all reconciled loan payments and each of the related annual reports has been corrected and re-sent. Athene represents that the interest calculation did not affect contract holders who had no outstanding loans tied to their annuities.

### Mitigation

18. Beginning in 2016, Athene met with TDI to discuss the conversion. During the next three years, Athene, Alliance-One, and Accordia met with TDI on multiple occasions to provide updates on the conversion, to self-report third-party administrator servicing issues in connection with the conversion, and to notify TDI of their efforts to help Texas contract holders who were experiencing servicing issues. Athene and Accordia provided additional updates and information to TDI in writing and by telephone.
19. Athene and Alliance-One each hired additional staff as the number of third-party administrator issues and affected contract holders grew.

20. Athene represents that it monitored the complaints and Alliance-One's handling of them. Athene also corresponded directly with TDI when complaints arose in an effort to address and mitigate contract holder harm.
21. Athene represents that no Texas annuities were erroneously terminated and no related loans erroneously defaulted as a result of the conversion.
22. Athene represents it monitored Alliance-One's administration to ensure that all Texas annuity contributions and loan payments originally placed in a holding account were properly back-dated and properly applied to the annuities as of the date of receipt to ensure the contract was credited with the appropriate interest.
23. When a Texas annuity was completely converted to Alliance-One's system, Athene sent the contract holder a letter allowing up to 60 days to either catch up on all loan payments or to contact Athene to set up a payment plan in two different ways depending on the status of the loan.
24. Athene represents that all of the Texas annuities have completed the conversion, and that all have received the correct credit for all compound interest due related to loan payments and have received updated, accurate annual statements to date.
25. 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.

### **Conclusions of Law**

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051 – 82.055, 84.021 – 84.044, and 841.002, and TEX. GOV'T CODE §§ 2001.051–2001.178.
2. The commissioner has the authority to dispose of this case informally under TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. Athene has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of

hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.

4. Athene violated TEX. INS. CODE § 4151.1042(b) by failing to ensure competent administration of its programs.

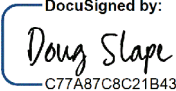
**Order**

It is ordered that Athene must pay an administrative penalty of \$400,000 within 30 days from the date of this order. The penalty must be paid by company check, cashier's check, or money order made payable to the "State of Texas" and sent to the Texas Department of Insurance, Attn: Enforcement, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.


It is further ordered that Athene continue to honor all special payment arrangements and to promptly address any complaint or claim not already addressed, if raised by an annuity contract holder specifically and reasonably related to the factual and legal allegations in this consent order.

This consent order fully and finally resolves the issues addressed in this consent order.

Commissioner of Insurance

DocuSigned by:  
  
By: C77A87C8C21B435...  
Doug Slape  
Chief Deputy Commissioner  
TEX. GOV'T CODE § 601.002  
Commissioner's Order No. 2018-5528

Recommended and reviewed by:

  
\_\_\_\_\_  
Mandy Meesey, Associate Commissioner  
Enforcement Division

Commissioner's Order  
Athene Annuity and Life Company  
Page 7 of 7

**Affidavit**

STATE OF Iowa

§

COUNTY OF Dallas

§

§

Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is Grant Kralheim. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

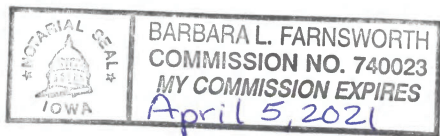
I hold the office of CEO & President and am the authorized representative of Athene Annuity and Life Company. I am duly authorized by said organization to execute this statement.

Athene Annuity and Life Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

Grant Kralheim  
Affiant

SWORN TO AND SUBSCRIBED before me on Jan 19, 2021.

(NOTARY SEAL)



Barbara L. Farnsworth  
Signature of Notary Public

Barbara L. Farnsworth  
Printed Name of Notary Public