

Aviva USA is Prepared to Respond to Market Volatility

August 16, 2011



To Our Valued Producers:

Scanning the headlines, you know that the economic environment this year has been unsettling. On-again-off-again pressure on oil prices; financial crises in Europe, Greece and within the Eurozone; and, most recently, the politics surrounding US debt policy and the subsequent downgrade of the US credit standing by Standard & Poor's have made this a tumultuous year.

When combined with softening economic data, the volatile US equity market and US Treasury yields at near all-time lows, these shocks to the system will likely result in a lower rate of growth for the world economy than we had previously expected.

We are managing from a position of strength...

The market volatility we have seen over the past week or so clearly highlights our areas of strength. Aviva USA is backed by a healthy balance sheet and a strong investment portfolio:

- Our parent company, Aviva plc, maintains a capital and surplus of £4 billion, which has increased by £200 million since year end 2010 (as of June 30, 2011);
- We remain one of only 11 Insurance companies in the US with an AM Best rating of A or higher for more than 75 years;
- While a low interest rate environment can potentially have a negative impact on any life insurer in the long term, we maintain a disciplined approach to managing aggregate interest rate risk;
- Aviva USA has no direct exposure to Europe's sovereign nations economic turmoil;
- We have strong asset quality reflected by robust market prices;
- The recent downgrade by S&P of the US government should not significantly impact our portfolio or capital requirements as only 6% of our total investment portfolio is in US Treasury and US Agency positions.

Our investment portfolio is solid and we will continue to monitor market volatility and the ultimate impact it has on our business. We must be nimble as the economic environment changes and actively review our product portfolio and make strategic adjustments to pricing as necessary.

... and committed to open communication.

Today's environment also underscores our customer value proposition. It is critical to remember that while market declines have depleted many American's retirement plans in the past few years, owners of fixed indexed annuities haven't lost a single penny on their contracts.

Our overarching goal is to help you – our KDPs and agents – understand this complex environment and write profitable business. To that end, any changes we make will carefully balance the current environment with the impact it has on our agents and policy holders. We pledge to be clear and transparent in the pricing decisions we make. In the meantime, we thank you for your business, trust, confidence and commitment to putting our customers first.



Mike Miller

Executive Vice President,
Sales & Distribution



Joseph Wittrock

Chief Investment Officer

To access Aviva's most recent *Proof of Performance* brochure, click [here](#).



Aviva USA:
**Our proof of
performance**





*Our success is based on a principle of **putting people before policies** and through our commitment to meeting and **exceeding customer expectations.***



We are Aviva USA

Aviva USA is a sales leader of indexed life insurance and indexed annuities. A valued member of the London-based Aviva plc, our issuing companies in the United States include Aviva Life and Annuity Co. in West Des Moines, IA and Aviva Life and Annuity Co. of New York, Melville, NY. With approximately 1 million customers and 1,500 employees, we can trace our presence in the United States to 1896.

Who rates Aviva USA?

Financial strength ratings represent independent opinions of our company's business and financial fundamentals, as well as our operating environment. When summarized, they reflect our ability to meet ongoing insurance policy and contract obligations to customers.

Three primary firms – **Moody's Investors Service, A.M. Best Company, Standard and Poor's (S&P)** – meet annually with Aviva to review and rate our performance based on a number of financial and non-financial criteria.

The rating is one part of the total equation when selecting an insurance provider. Each agency's report requires interpretation and must be put into context with other factors like the type of insurance products the company offers, its features, rates, and customer service performance.

In May 2011, Moody's affirmed Aviva USA's "A1" (Good) rating – the 5th highest of 21 classes – for insurance financial strength. Moody's noted in its Opinion that "the stable outlook on Aviva USA and its operating companies is aligned with the outlook on the ultimate parent company and its operating subsidiaries, which contribute ratings uplift based on their support of Aviva USA's operations." Moody's also noted Aviva USA's credit strengths, including ownership and strong implicit support from its U.K.-based parent; Good consolidated statutory capital adequacy with demonstrated capital support; Profitable blocks of traditional life insurance at Aviva Life; and a good quality investment portfolio with limited exposure to a number of risky asset classes.

In November 2010, A.M. Best affirmed our "A" (Excellent) rating – the third-highest of its 15 rating classes. Additionally, the agency revised Aviva USA's outlook from stable to positive, another indicator of our strength as an organization. A.M. Best cited our "leading market positions in indexed life insurance and fixed indexed annuities, innovative product development, multiple distribution networks and adequate stand-alone risk-adjusted capitalization" as the rationale for its rating. The A.M. Best news release also referred to the strategic and financial benefits of being a part of Aviva plc, our parent company, and its commitment to grow the U.S. business.

With more than **300 years** experience, we understand the **importance of stability.**



1696

Hand-in-Hand, at the time, the world's oldest existing fire insurance company is formed.



1717

Hand-in-Hand Fire and Life Insurance Society insures a house belonging to Sir Isaac Newton.



1797

Norwich Union is founded, later to become the largest insurance services provider in the UK.



1861

Commercial Union is established.



1885

General Accident is founded.



1896

Central Life Assurance Company is established in Des Moines, IA.



1897

American Mutual Life Insurance Company is founded.



1905

Commercial Union Hand-in-Hand. The first motor engine is introduced in England by Norwich Union.

Aviva plc by the Numbers*

The **6th** largest insurance group in the world¹

53 million customers worldwide²

45,000 employees worldwide²

Total sales of **\$73 billion**³

\$631 billion in funds under management⁴

¹ Based on gross worldwide premium as of December 31, 2009.

² As of December 31, 2010

³ Amounts measured as of December 2010. Sales measured as life and annuity (present value of new business premium), property and casualty (net written premiums) and investment.

⁴ Represents all assets managed or administered by the Group, including funds held on behalf of third parties as of December 2010.

We are very proud of our A.M. Best rating, and of the upgrade to a positive outlook. This recognition by one of the leading rating agencies in our industry serves as a testament to our financial stability throughout the years. Aviva and its predecessor companies have carried an "A" rating or higher with A.M. Best continuously since 1929. Considering all of the recessions, wars, bubbles, and crashes during that time span, that's a solid record of financial stability.

In December, S&P assigned Aviva USA an "A+" (Strong) rating – the fifth-highest of its 20 rating classes – and in February, improved the outlook for our business to stable. According to S&P, this rating is given to companies with a strong capacity to meet financial commitments. S&P cited Aviva plc's improved capitalization over the past year, strong risk management controls and the commitment to reduce debt over the next three years as reasons for the improved outlook.

Our parent, Aviva plc, is one of a small number of insurance carriers to have not experienced a credit rating downgrade by S&P since June 2008 – the toughest economic cycle in the last 80 years. It serves as a reminder of the consistently strong financial position that Aviva has worked so hard to maintain. With more than 300 years experience, we understand the importance of stability.

Aviva USA Financial Highlights¹ (in USD million)

	Aviva Life and Annuity Company ²
Total assets	\$45,603
Policyholder reserves	\$39,411
Other liabilities	\$3,836
Capital and surplus	\$2,356
Gross premium	\$7,195

¹ Amounts measured on the basis used to prepare the Company's Statutory Annual Report.

² Each individual company is solely responsible for the policy benefits and obligations of the Company of New York, which is the only Aviva life insurance company authorized to do business in New York.



1912

1937

1972

1996

1997

1998

Winston Churchill takes out a personal accident policy with Accident Insurance Company.

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Commercial Union is one of the companies that insured the White Star liner, Titanic. The liner sank in April after striking an iceberg on its maiden voyage.

Commercial Union acquires Accident Insurance Company.

First women employees were recruited by Norwich Union.

General Accident provides motor insurance for the Kennedy family until 1972, including president John F. Kennedy.

Central Life Assurance changes name to Amerus Life Insurance Company.


Norwich Union demutualizes and floats as a public company on the London Stock Exchange.


Amerus announces agreement to acquire AmVestors Financial Corp.

Commercial Union and General Accident merge to form CGU plc.

Amerus Stock listing moves to the New York Stock Exchange.

What it all means to you

 Our U.S. business is performing well. In **2010**, **Aviva USA: consistently increased earnings and improved capital levels**; generated strong quarterly sales growth from 2009; and Aviva plc affirmed that the U.S. business is among its 12 core focus markets across the globe.

 Aviva USA has successfully rebalanced its book, with a greater focus on the profitable life protection business, and disciplined pricing management.

 Aviva USA has strong financials and is a capital producer, contributing on a global basis to the capital position of Aviva plc. **In 2010, Aviva USA reported a Risk-Based Capital (RBC) ratio of 359%**, well above our internal target of 325%. Our International Financial Reporting Standards (IFRS) operating profit was \$268 million in 2010.

 Aviva USA is successfully growing the life business with a focus to become a top-10 player in the US life market. We have gained momentum:

- ▶ **In 2010, life sales increased 5.5%** over 2009 on a Net Annualized Life Target Premium basis;
- ▶ New business profitability is also strong with an **Internal Rate of Return (IRR) of 14%** at year end.

Our customer relationships are directly connected to our improved performance and financial stability. We understand that our customers have individual needs and we are committed to developing solutions to meet those needs.

Billions as of 12/31/10)

Aviva Life and Annuity Company of NY ²	Total
\$1,542	\$47,145
\$1,388	40,799
\$46	\$3,882
\$108	\$2,464
\$168	\$7,363

Statements.

to its policyholders. In New York, products are issued by Aviva Life and Annuity to do business in the state of New York.

Aviva USA Financial Strength

	S&P	Moody's	A.M. Best
Rating	A+	A1	A
Description	Strong	Good	Excellent
Outlook	Stable	Stable	Positive



2000

Merger of Norwich Union and CGU takes effect. CGU now known as CGNU plc.

AmerUs announces definitive agreement to acquire Indianapolis Life Insurance Company.

2002

CGNU plc changes its name to Aviva plc. The new name is launched as the group's new brand identity.

2006

Aviva plc completes acquisition of AmerUs. The combined business is called Aviva USA and headquartered in Des Moines, Iowa.

2008

Aviva USA breaks ground for the company's new US operations headquarters building located in West Des Moines, Iowa.

2009

Chris Littlefield is appointed to US CEO post. Aviva begins listing on New York Stock Exchange under ticker symbol "AV."

2010

New US Operations Headquarters opened in West Des Moines, IA

2011

Aviva USA launches "Youmanity" brand campaign

We are building insurance around you.®



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