

No. **2021-6673**

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

Date: 2/1/2021

Subject Considered:

Accordia Life and Annuity Company
215 10th St Ste 1100
Des Moines, Iowa 50309-3616

Consent Order
TDI Enforcement File No. 13588

General remarks and official action taken:

This is a consent order with Accordia Life and Annuity Company. When Accordia acquired a book of life insurance policies, it contracted with Alliance-One Services, Inc. to convert the policies from eight legacy systems to a new system. The Texas Department of Insurance (TDI) alleges that the conversion caused compliance issues, including sending inaccurate information to policyholders, failing to timely send required annual statements and process premium payments, and failing to timely provide access to policy information. Accordia has agreed to a remediation plan and to pay an administrative penalty of \$1,450,000.

Waiver

Accordia acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Accordia waives these rights and any other applicable procedural rights in consideration of the entry of this consent order. Accordia 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. Accordia is a life insurer holding a certificate of authority to transact business in Texas since March 17, 2000.

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 USA was renamed Athene USA Corporation and Aviva Life and Annuity Company was renamed Athene Annuity and Life Company (Athene).
3. Following the acquisition, Athene Holding Ltd. sold Aviva's life insurance business to Accordia. Under the terms of the agreement, most life insurance policies novated to Accordia, but some remained on Athene paper and were reinsured and administered by Accordia. Accordia was responsible for administering 25,595 Texas-issued policies.
4. Aviva had been using multiple different antiquated legacy systems to administer its life policies and certain annuity products. As part of the acquisition, Athene and Accordia agreed to convert the life insurance and the annuity products that were on Aviva's dated systems to a single, modern administrative system.
5. The conversion to Alliance-One's system occurred via a contract between Accordia and Alliance-One. Athene also separately contracted with Alliance-One to administer the converted annuities after the conversion was complete. Accordia represents it conducted due diligence before selecting Alliance-One.
6. After a two-year planning period, the conversion of the life policies and annuity products to Alliance-One's system was done in two waves, one that began in August 2015 and the second that began in January 2016.
7. Agents and policyholders received notice of the conversion before it began. Notices stated that, due to the conversion, Alliance-One would be unable to process certain transactions for brief periods.

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8. The conversion took much longer than anticipated and as was represented to agents and policyholders, and there are a small number of remaining issues for certain life insurance policies.

Issues Caused by the Conversion

Restricted Status

9. When a life insurance policy entered the conversion process, many of them were placed on restricted status. Restricted status can require manual administration and limits Accordia's and Alliance-One's ability to modify policyholder information and administrative preferences. Restricted status can also hinder policyholders from making certain intentional policy-related choices or changes.
10. During the conversion process, programming errors caused some life insurance policies to be placed on restricted status multiple times and a small number of policies remain on restricted status, including, as of December 15, 2020, fewer than 1.5% of the relevant Texas policies.
11. While restricted, premium payments might not be timely allocated to the appropriate account and premium payments may be placed in a holding account until they can be manually processed. Additionally, while automatic drafting of certain premium payments ceased for some policyholders, for others, multiple premium payments were deducted at once, causing policyholders to pay overdraft fees.
12. While on restricted status, some policyholders experienced substantial delays in:
 - a. receiving requested or updated information;
 - b. accessing account values or balances;
 - c. making changes to their policies;
 - d. receiving settlements; and
 - e. receiving billing statements.

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Complaints to TDI

13. TDI received numerous complaints from policyholders affected by the conversion, including issues discussed above that resulted in banking and account errors and undue delays.
14. Accordia has addressed the complaints made to TDI.

Failure to Provide Timely Annual Reports

15. Because of the conversion problems, policyholders whose life insurance policies were on restricted status did not receive annual statements. If policyholders specifically requested statements, Accordia personnel manually processed those requests and provided statements. A small number of policyholders still have outstanding annual statements.

Misrepresentations to Policyholders

16. Due to problems with the conversion, policyholders received incorrect information, including inaccurate premium billing and account balances.

Mitigation

17. Shortly after the first wave of conversions, Accordia became aware of the issues and promptly began communicating with TDI.
18. Accordia met with TDI on multiple occasions to inform TDI of the conversion progress and their efforts to assist Texas policyholders who were experiencing on-going issues. Accordia provided information to TDI in writing and by telephone, including regular conversion status updates and responses to TDI inquiries about specific policyholders.
19. Accordia and Alliance-One each made changes to management and hired over 100 additional staff as the number of third-party administrator servicing issues and policyholders affected grew. Accordia represents that it, at its own expense, hired outside consultants that it represents were nationally recognized experts to drive improvements and efficiencies in the conversion remediation and that the Texas remediation is substantially complete.

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20. Accordia set up a nationwide call center to address complaints from agents and policyholders. Accordia currently monitors and addresses incoming complaints.
21. Accordia represents that it monitors Alliance-One's administration to ensure that all premium payments originally placed in a holding account are back-dated and properly applied. Additionally, Accordia set up payment plans for policyholders whose premium payments were affected by the conversion.
22. Accordia represents that it took steps to ensure conversion-related issues did not result in any policy lapses and no policy lapsed while on a conversion-related restriction status.
23. Nothing in this Order is intended to form the basis for any finding or disqualification under Rule 506 of Regulation D under the Securities Act of 1933.

The Nationwide Class Action Settlement

24. Accordia entered into a nationwide class action settlement, which includes restitution available to Texas policyholders. The available restitution includes, among other possible relief, extended periods to pay back premium, adjustment of interest application, tax refunds for distributions improperly arise from conversion issues, and refunds of bank overdraft charged by conversion mistakes.

Conclusions of Law

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051 – 82.055, 84.021 – 84.044, 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. Accordia 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. Accordia violated 28 TEX. ADMIN. CODE § 3.809.

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5. Accordia violated TEX. INS. CODE §§ 541.003, 541.051, 541.060, and 541.061.
6. Accordia violated TEX. INS. CODE § 4151.1042(b).

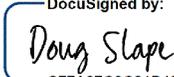
Order

It is ordered that Accordia must pay an administrative penalty of \$1,450,000 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 Accordia continue to honor all special payment arrangements and appropriately apply delayed premium payments as discussed above in the Findings of Fact. Accordia is further ordered to comply with the continued remediation plan described in Exhibit A attached to this order.

This consent order fully and finally resolves the issues addressed in this consent order, subject to Accordia's compliance with the remediation plan described in Exhibit A. This consent order does not resolve any allegations or violations with respect to any other TDI complaints, proceedings, or other investigations not reflected in this 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

Affidavit

STATE OF Minnesota §

COUNTY OF Crow wing §

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

"My name is David Wilken. 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 President and am the authorized representative of Accordia Life and Annuity Company. I am duly authorized by said organization to execute this statement.

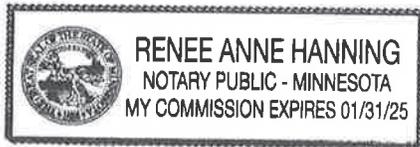
Accordia Life and Annuity Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."

David P. Wilken

Affiant

SWORN TO AND SUBSCRIBED before me on January 27, 2021

(NOTARY SEAL)



Renee Hanning
Signature of Notary Public

RENEE A. HANNING
Printed Name of Notary Public

Exhibit A
Accordia Life and Annuity Company Remediation Plan

Definitions

- “Annual Report” means the report that must be provided to a Converted Policyholder who owns a Converted Policy that has been designated as one for which illustrations will be used, which must be provided after each anniversary date and sets forth information about the performance of the Converted Policy during the annual period immediately preceding the anniversary date.
- “Back Premium” means the total amount of premiums due on a Converted Policy (or the scheduled premium amounts for Converted Policies with flexible premium payments) that was not billed, collected, or applied to a Converted Policy while the Converted Policy was in Conversion-Related Restricted Status.
- “Conversion” means the transfer of the Converted Policies for administration by Alliance-One Services, Inc.
- “Converted Policy” or “Converted Policies” means all life insurance policies issued in Texas that were the subject of the Amended and Restated Coinsurance Agreement, dated as of December 28, 2015, which superseded the Coinsurance Agreement, dated as of October 1, 2013, between Respondents, and were transferred for administration by Alliance-One Services, Inc.
- “Converted Policyholder” means the owner, as of the date of Conversion, of a Converted Policy issued in Texas.
- “Conversion-Related Restricted Status” means a policy status under which certain automated and electronic transactions, services and reports on a Converted Policy (including for example, premium billing), were suspended as a result of the Conversion.
- “Hardship Waiver” means that payment of a portion or all Back Premium is waived upon demonstrating, with supporting documentation, a Financial Hardship.
- “Production Support Status” means a policy status under which certain automated and electronic transactions and services on a Policy (including for example, sending of Annual Reports), are suspended as a result of business-as-usual remediation being performed on the policy. Those automated and electronic transactions resume when all relevant remediation is complete.
- “Special Payment Arrangement” means an alternative payment schedule selected by the Converted Policyholder, of up to a period of 36 months from the date on which the request for such alternative payment schedule was received by Accordia, in which such Converted Policyholders can pay Back Premium that was not automatically drafted or otherwise paid timely by the Converted Policyholder as a result of being in Conversion-Related Restricted Status.

Communications to Converted Policyholders

For each Converted Policy, Accordia will send a letter within 90 days to each Converted Policyholder at their last-known mailing address that includes the following:

- A statement that, if Back Premium is owed, and payment of the Back Premium may cause financial concerns or if the converted policy is at risk of lapse after being taken out of Conversion-Related Restricted Status, the Converted Policyholder may request a Special Payment Arrangement within 60 days by calling the toll-free phone number in the letter or by submitting a written request.
- A statement that if the Converted Policyholder has incurred any overdraft fees from their financial institution as a result of attempts to automatically draft premium payments from the Converted Policyholder's bank account, the Converted Policyholder will be reimbursed the amount of the overdraft fee plus interest at the rate of 5% per annum within 30 days of receipt of written documentation reflecting the payment of the overdraft fees.
- For universal life, indexed universal life, and whole life insurance converted policies, an offer to provide a copy the most recent Annual Report, and the Annual Report that was sent immediately preceding when the Converted Policy was placed in Conversion-Related Restricted Status to assist the Converted Policyholder in their review of the Converted Policy information in the most recent Annual Report.
- A statement that an Annual Report, if outstanding, will be sent within 90 days of the date of the letter, unless the Converted Policyholder is on a Special Payment Arrangement.
- A statement for the Converted Policyholder to call with any questions or concerns.

Prior to sending the letter, a template of the letter will be submitted to TDI for review.

Outstanding Annual Reports

Within 180 days of the date of this order, all annual reports will be provided to policyholders in compliance with the Texas Administrative Code unless the policyholder has agreed otherwise in writing through a Special Payment Arrangement.

Reimbursement of Overdraft Fees

Payment shall be made for reimbursement of all overdraft fees resulting from the collection of Back Premium or an incorrect premium amount, plus interest at the rate of 5% per annum, within 30 days after a Converted Policyholder submits documentation supporting the requested amount of reimbursement.

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Exhibit A

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Reports to TDI

Accordia must send to TDI, within 200 days of the date of this order, confirmation that all outstanding Annual Reports, except those on a Special Payment Arrangement, were sent to policyholders and an electronic spreadsheet detailing:

- policyholders on Restricted or Production Support Status;
- policyholders with a Special Payment Arrangement; and
- overdraft fees (with interest) paid to affected policyholders.

Updated reports must be sent by the 10th of each month (or the next business day) until TDI deems that reporting is no longer necessary because all issues have been fully remediated. The information must be sent to TDI at EnforcementReports@tdi.texas.gov.