



Field Update



August 13, 2010

## Annuity changes being implemented, effective September 3

Last year, Aviva made changes to its annuity products in an attempt to moderate growth of our annuity sales in order to have a more financially stable mix of business between life insurance and annuities. At the time, we made the business decision to focus these changes on our fixed indexed products and to maintain the features on the Spirit Series of traditional fixed products.

Even as the economy shows some signs of improvement, the insurance industry continues to be impacted by certain economic trends, specifically the low interest rate environment. Treasury rates remain at historic lows, affecting the rate of return on investments. We are no longer able to manage our fixed annuity portfolio just through rate adjustments given the guarantees offered by these products.

In response, we have to take the unfortunate action of reducing the premium bonuses on the Spirit Bonus and Spirit Plus, and making adjustments to the Income Edge Flex income rider. These changes will be effective for all new business applications received after September 3, 2010:

- We are lowering the premium bonus on the Income Select Spirit Bonus from 8% to 6% and on the Spirit Plus from 5% to 4%.
- We are lowering the bonus recapture rates on the Spirit Bonus as follows:

Contract Year	1	2	3	4	5	6	7	8	9	10	11+
Recapture %	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	4.0%	2.0%	0%

Changes to the Income Edge Flex Rider include:

- Lowering the maximum Accumulation Years from 20 to 12
- Reducing the Income Account Value Interest Rate from 7.2% to 6% (The IAV will now double in 12 years instead of 10)
- Increasing the Annual Rider Premium Rate from 0.45% to 0.50%
- Lowering the Maximum Annual Lifetime Income Withdrawal Percentages by 50bps

The changes to the Spirit Plus will be effective in all states, except Utah and Texas, where the adjustments need to be re-filed. Changes in the Spirit Bonus will not be effective in Texas due to re-filing, and Texas will also have different bonus recapture rates. We will communicate the changes in those states once they take effect.

**In addition to the above changes,** we are lowering the Maximum Withdrawal Percentages by 50bps on the Income Edge Plus Rider on the Income Preferred Series products.

For all the above product changes, applications with cash received through the close of business on Friday, September 3, 2010, will be credited with the current product provisions. Rollover applications received through September 3 will be eligible for the current rider provisions if the rollover funds are received on or before October 4, 2010. You can fax applications to (866) 709-3921. If you choose to fax in your application, please DO NOT send the original as well.

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Any business received after these deadlines will require new Certificates of Disclosure prior to issue.

Certificates of Disclosure and marketing materials are being revised to reflect the changes and will be available as soon as possible.

We want to stress that these actions are not meant to discourage annuity sales, but are being done to help us maintain our financial strength and keep our promises to our current and future policy holders. Aviva Life and Annuity Company is rated A (Excellent) by A.M. Best, and has held at least an A rating continuously since 1929!

We are committed to providing competitive products and will continue to maintain features such as first-year liquidity, the Confinement Income Doubler Benefit, optional restart of the accumulation years, increases in the income percentage age brackets every 5 years, death benefit available to spouses and non spouses and our Wellness for Life® benefits.

If you have any questions, please contact Sales Support at (800) 255-2405, ext. 6620.