

Aviva USA sale announcement triggers rating agency updates



December 27, 2012

To Our Valued Key Distribution Partners:



Mike Miller
Executive Vice President,
Sales & Distribution

Last Friday, December 21, I shared with you that our parent company, Aviva plc, announced it has agreed to sell Aviva USA to Athene Holding, Ltd. Upon closing the transaction, Aviva USA will be renamed Athene USA with operation headquarters based in West Des Moines.

We expect the transition from Aviva USA to Athene to be complete by mid-2013 as Athene gains regulatory and other approvals. Late Wednesday, we heard from the third of the three ratings agencies that review our business with their initial reaction to the announcement. As with any potential change in ownership, rating agencies evaluate the impact to a company's financial strength based on a new business structure.

Standard & Poor's, AM Best, and Moody's Investors Service each took the following action:

- **S&P** affirmed Aviva USA's Financial Strength Rating of "A-" and maintained our outlook as "Credit Watch Developing." This rating reflects what S&P views as Aviva USA's "strong competitive position in the US" supported by an "effective multichannel distribution network, focused and leading product suite in the indexed products market, strong prospective core operating performance, and capitalization."
- **AM Best** lowered our Financial Strength Rating from "A" (Excellent) to "A-" (Excellent) and placed our ratings "under review with negative implications." AM Best made this adjustment due to Athene's current credit profile, uncertainty regarding Aviva USA's future funding of growth, and the challenges associated with building a new brand identity. AM Best noted it continues to recognize our "leading market position" in indexed products, innovative product development, multiple distribution networks and our favorable risk-adjusted capitalization.
- **Moody's** lowered our Insurance Financial Strength rating one notch from "Baa1" to "Baa2," and moved our outlook to "negative" from "developing." Moody's attributes the downgrade to an expectation that the financial profile of the new company will be weaker with potentially less financial flexibility. Moody's also noted the business may become more focused on annuities prompting less product diversification.

Last Friday's announcement is the first step in a process which may take six to nine months to complete. During that time, you can expect our approach to the market to be "business as usual." We continue to be the financially stable company you have grown to know and trust.

It is great to finally have an announcement and I will keep you up-to-date on the transaction. As we enter 2013, we pledge to work closely with you, and keep a keen focus on meeting the long-term financial needs of your clients with innovative indexed life and annuity products.