REPORT ON EXAMINATION

OF THE

AVIVA LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2006

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2006 of the

AVIVA LIFE INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: ______________________

DATE: 13 MARCH 2008

In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 13TH DAY OF MARCH 2008.

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Insurance Commissioner

REPORT ON EXAMINATION

OF THE

AVIVA LIFE INSURANCE COMPANY

AS OF

December 31, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 13TH Day of MARCH 2008.

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SALUTATION

December 10, 2007

Honorable Alfred W. Gross
Chairman, NAIC Financial
Condition Committee
2301 McGee, Suite 800
Kansas City, Missouri 64108-2604

Honorable Matthew Denn
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, Delaware 19904

Honorable Steven M. Goldman
Secretary, Northeastern Zone (I), NAIC
New Jersey Department of Banking and Insurance
20 West State Street
Trenton, NJ 08608

Honorable Julie Mix McPeak
Secretary, Southeastern Zone (II), NAIC
Kentucky Department of Insurance
215 W. Main Street
Frankfort, KY 40602

Honorable Merle D. Scheiber
Secretary, Midwestern Zone (III), NAIC
South Dakota Division of Insurance
445 East Capital Avenue
Pierre, SD 57501

Honorable Kent Michie
Secretary, Western Zone (IV), NAIC
Utah Department of Insurance
3110 State Office Building
Salt Lake City. Utah 84114-1201

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 07.002, dated October 16, 2006, an Association examination has been made of the affairs, financial condition and management of the

AVIVA LIFE INSURANCE COMPANY

hereinafter referred to as "Aviva", "Company" or "ALIC" and incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the main administrative office of the Company, located at 3 Pine Hill Drive, Batterymarch Park Bldg III, Quincy, MA 02169.

The report of this examination is submitted herewith.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2003. This examination covers the period since that date through December 31, 2006, and consisted of a general review of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed during the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

This examination was conducted in accordance with the Association Plan of Examination guidelines established by the National Association of Insurance Commissioners ("NAIC"). No other states participated in the examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the NAIC and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. In accordance with the aforementioned Handbook, the consulting firm of INS Services, Inc reviewed and tested, in part, the Company's Information Technology (IT) systems and related high level control environment based on its responses to questions contained in the Evaluation of Controls in Information Systems Questionnaire – Exhibit C. Other examination planning exhibits were reviewed and tested, as needed, by the examiners.

The Company's independent accounting firm made available for review, all workpapers pertinent to their audit of the Company's financial statements for the year ended December 31,

2006. The workpapers of the independent accounting firm were reviewed in order to ascertain their analysis, audit procedures and conclusions. To the extent possible, these workpapers and analyses were utilized in the examination.

In addition to items hereinafter incorporated as a part of this report, the following were reviewed without exception and made part of the work papers of this examination.

Fidelity Bonds and Other Insurance
Statutory Deposits
Corporate Records
Officers, Employees and Agents' Welfare
NAIC Ratios
Conflict of Interest
Legal Actions
All Asset & Liability items not mentioned

HISTORY

The Company was originally incorporated on May 7, 1958 under the laws of the State of Delaware as the Employers' Life Insurance Company of America, by now non-existent member companies of the Commercial Union plc (UK) holding company. On January 1, 1973 the name of the Company was changed to Commercial Union Life Insurance Company of America ("CULICA").

Attendant with its acquisition of General Accident plc on June 2, 1998, Commercial Union plc changed its name to CGU plc.

In connection with related integrations of CGU plc's U.S. operations, on December 31, 1998, the Company and all other subsidiaries were transferred to CGU Corporation, a Delaware holding company. On October 14, 1999, the name of the Company was changed to CGU Life Insurance Company of America.

In May 2000, CGNU plc was formed by the merger of CGU plc and Norwich Union. As part of this merger, CGNU plc announced its intention to divest itself of its United States property and casualty operations. In September 2000, CGNU plc announced it had entered into a definitive agreement with an unaffiliated third party. As part of this divestiture, the Company and its wholly owned subsidiary, CGU Life Insurance Company of New York, were transferred from CGU Corporation to CGU International Holdings BV, an indirect but wholly owned subsidiary of CGNU plc. CGU International Holdings BV then sold the Company and its subsidiary to CGNU Corporation in exchange for shares of common stock in CGNU Corporation. In the same series of transactions, CGNU plc sold all of the outstanding stock of CGU Corporation to an unaffiliated third party. At that time, CGU Corporation was renamed OneBeacon Corporation and ceased to be an affiliate of the Company.

On March 26, 2002, the ownership of CGNU Corporation was transferred from CGU International Holdings BV to Commercial Union International Holdings, Ltd., an indirect but wholly owned subsidiary of CGNU plc. Subsequently, the names of CGNU plc, CGNU Corporation and Commercial Union International Holdings, Ltd were changed to Aviva plc, Aviva USA Corporation ("AUSAC"), and Aviva International Holdings, Ltd, respectively.

Effective March 3, 2003 the name of the Company was changed to Aviva Life Insurance Company ("ALIC").

On November 15, 2006, Aviva plc acquired the AmerUs Group Co. ("AmerUs"), an Iowa holding company, following receipt of regulatory approvals in the United States. AUSAC and AmerUs now share a common parent, Aviva International Holdings, Ltd. Refer to the "Subsequent Events" section of this Report, under the caption "Integration and Merger" for details regarding the planned integration and merger of the Company into the AmerUs group, which is anticipated to occur during mid-2008.

CAPITALIZATION

Common Capital Stock and Paid-in Surplus

The Restated Certificate of Incorporation provides that the authorized capital stock of the Company shall be 30,000 shares of $100 par value common stock. At December 31, 2006, 28,349 shares were issued and outstanding, resulting in total capital stock of $2,834,900. All shares were held by Aviva USA Corporation.

During 2004, 2005 and 2006, the Company received surplus contributions from its parent totaling $25,500,000, $35,000,000 and $57,600,000, respectively. At December 31, 2006, total Paid In and Contributed Surplus is $456,274,700.

Dividends

Per approval from the Delaware Department of Insurance ("DEDOI"), the Company paid $4,931,135 in extraordinary stockholder dividends in 2006 to its Parent company. No dividends were paid in 2004 or 2005.

Reconciliation of Capital and Surplus

The following reconciliation of capital and surplus for the period from its last examination as of December 31, 2003 to December 31, 2006, was extracted from the Company's filed Annual Statements:

Capital and Surplus, December 31, 2003		$343,480,061
Net income	$(14,803,466)	
Change in net unrealized capital gains or (losses)	(10,619,317)	
Change in net deferred income tax	14,296,032	
Change in non-admitted assets	(11,782,272)	
Change in asset valuation reserve	(25,361,603)	
Surplus Adjustment		
Paid-in	118,100,000	
Dividends to stockholders	(4,931,135)	
Aggregate write-ins for gains and losses in surplus		
Surplus adjustment from prior year	9,635,502	
Other insurance assets from prior period	690,724	
	$75,224,465	
Capital and Surplus, December 31, 2006		$418,704,526

MANAGEMENT AND CONTROL

Stockholders

In accordance with Company bylaws, annual meetings of the Stockholders shall be held in Boston, Massachusetts at 11:00 o'clock in the forenoon of the fourth Thursday in March in each year. Although no "live" stockholder meetings were held during the examination period, a "Written Consent of Sole Stockholder in Lieu of Annual Meeting" was reviewed and accepted for each year under examination.

Board of Directors

The Company's amended Certificate of Incorporation provides that all corporate powers of the Company be managed by a Board of Directors. The Company's bylaws stipulate that the Board of Directors shall consist of not less than seven (7) or more than fifteen (15) members. Directors are elected annually by the stockholder, and hold office until their successors are respectively elected and qualified. No director need be a stockholder. A regular meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of the Stockholder, or any special meeting of the stockholder at which a full Board of Directors is elected.

The bylaws require that each director, following his election or re-election to the board, shall file with the secretary a written acceptance of the trust committed to him.

At December 31, 2006, the members of the Board of Directors together with their principal business affiliation were as follows:

Name and Date Elected	Principal Business Affiliation
Thomas C. Godlasky Elected: 11-15-06	Chairman of the Board, President & CEO Aviva Life Insurance Company
Hans L. Carstensen, III Elected: 11-1-96 Resigned: 12-31-06	Director Aviva Life Insurance Company

Richard J. Kypta Elected: 2-3-97 Resigned 1-26-07	Senior Vice President & COO, Structured Settlement Marketing Aviva Life Insurance Company
Jeffrey J. Lobo Elected: 11-21-05 Resigned 2-7-07	Vice President & CIO Aviva Life Insurance Company
Jeffery J. Whitehead Elected: 2-19-02 Resigned 2-7-07	Senior Vice President, Treasurer & CFO Aviva Life Insurance Company
Martin Sheerin Elected: 5-31-01 Resigned 2-7-07	Senior Vice President & Chief Actuary Aviva Life Insurance Company
Holly A. Burgess Elected 8-29-05 Resigned 2-7-07	Vice President Aviva Life Insurance Company
Pauline E. Jenkins Elected 5-31/01 Resigned 2-7-07	Vice President, TSA Marketing Aviva Life Insurance Company
Mark J. McVeigh Elected 10-30-00 Resigned 2-7-07	Vice President, Financial Institution Marketing Aviva Life Insurance Company
Sean P. O'Brien Elected 2-15-05 Resigned 2-7-07	Vice President, Aviva Life Insurance Company Aviva Life Insurance Company

Committees

The Board of Directors may, by resolution or resolutions passed by a majority of the whole board, designate one or more committees, each committee to consist of two or more of the directors of the Company, which, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Company. As of December 31, 2006, the Company had the following committees, along with the date each committee was established:

Pension as of September 30, 2006
T. Hart
Richard Kypta
Jeffery Whitehead
S. McGinley
Martin Sheerin
Todd Sajdak
Jeffery Lobo

Investment as of September 30, 2006
Jeffery Lobo
Martin Sheerin
Jeffery Whitehead
Hans Carstensen
J. Weimer

Derivatives as of September 30, 2006
Martin Sheerin
G. Harrington
Jeffery Whitehead
Hans Carstensen
J. Weimer
Jeffery Lobo

Interest Rate as of February 1982
Hans Carstensen
Richard Kypta
Martin Sheerin
Jeffery Whitehead
Jeffery Lobo

Officers

The bylaws stipulate that the Company may have a Chairman of the Board, shall have a President, one or more Vice Presidents, one or more of whom may be Executive Vice Presidents, First Senior Vice Presidents, Senior Vice Presidents, and Assistant Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. The bylaws further stipulate that the officers shall be chosen by the directors at their first meeting following the Annual Meeting of the Stockholders.

The officers of the corporation shall hold office until their successors are chosen and qualified in their stead.

At December 31, 2006, the Company's principal officers and their respective titles were as follows:

Officer:	Title:
Thomas C. Godlasky	Chairman of the Board, President
Jeffery J. Whitehead	Senior Vice President, Treasurer and Chief Financial Officer
Martin Sheerin	Senior Vice President & Chief Actuary
Gerard J. Guimond	Vice President, General Counsel and Secretary
Richard J. Kypta	Senior Vice President & Chief Operating Officer
William J. Ball	Vice President & Chief Information Officer

Holly A. Burgess	Vice President
Debra L. Fickett-Wilbar	Vice President
George J. Harrington	Vice President
Jeffrey J. Lobo	Vice President & Chief Investment Officer
Stephen J. McGinley	Vice President
Christopher F. Murphy	Vice President
Todd R. Sajdak	Vice President
John G. Bonvouloir	Vice President
Peter T. Colli	Vice President & Chief Compliance Officer
Paul M. Grew	Vice President
Pauline E. Jenkins	Vice President, TSA Marketing
Tammy D. Leone	Vice President
Kevin J. McCoy	Vice President
Mark J. McVeigh	Vice President, Financial Institution Marketing
Sean P. O'Brien	Vice President
Gail A. Smith	Vice President

Numerous changes in directors and officers occurred during the period under review. As required, proper notification was provided to the Delaware Department of Insurance for all changes with the exception of two officers elected in 2006, which was deemed an oversight and subsequently corrected.

Refer to the "Subsequent Events" section of this Report, under the caption "Changes to Board of Directors and Officers Subsequent to December 31, 2006" for details of Board of Director and Officers subsequently elected as a result of Aviva plc's plans to integrate and merge Aviva USA and its affiliates into and with the AmerUs Group.

Conflicts of Interest

Directors, Officers and all Company associates of AUSAC and subsidiaries, are required to complete an annual "Disclosure Statement" of possible conflicts of interest in accordance with its adopted and amended "Policy Statement" regarding business conduct and conflicts of interest.

A review of executed Disclosure Statements was conducted during the examination without material exception.

Certificate of Incorporation and Bylaws

A review of the Company's Certificate of Incorporation and bylaws revealed that no changes were made during the examination period.

HOLDING COMPANY SYSTEM

The Company is a wholly owned subsidiary of Aviva USA Corporation, which is indirectly but wholly owned by Aviva, plc (UK), the ultimate controlling entity. The Company owns 100% of the common stock of Aviva Life Insurance Company of New York.

Aviva, plc, a United Kingdom corporation, is a holding company which, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in Europe and around the world. It is the world's fifth largest insurance group, and the biggest in the UK. Aviva plc's primary activities include General Insurance, Life Insurance, and Pension Products. Other significant activities include Financial Services and Asset Management. As of December 31, 2006, Aviva, plc possessed assets totaling £292,722 million, shareholder equity of £14,064 million, and earned net income of £2,134 million on total reported revenues of £45,377 million.

A review of the Company's Insurance Holding Company Annual Registration Statement filing (Form B) for all years under examination was performed without material exception.

Organization Chart

The following presentation of the holding company system reflects the identities and interrelationships between the Company, its parent, affiliated insurers and other members of the holding company system as of December 31, 2006:

Company	Domicile	% own
Aviva, plc	United Kingdom	
Aviva Group Holdings LTD	United Kingdom	100%
Aviva International Insurance LTD	United Kingdom	100%
Aviva Insurance LTD	United Kingdom	100%
Aviva International Holdings LTD	United Kingdom	100%
CGU Special Investments LTD	United Kingdom	100%
Aviva Re LTD	Bermuda	100%
Curelife LTD	Bermuda	75%
Aviva USA Corporation	Delaware	100%
Curelife LTD	Bermuda	25%
Aviva Life Insurance Company	Delaware	100%
Aviva Life Insurance Company of New York	New York	100%
Aviva Service Corporation	Delaware	100%
Aviva Assignment Corporation	Delaware	100%
Aviva London Assignment Corporation	Delaware	100%
AmerUs Group Company	Iowa	100%
AmerUs Capital I	Iowa	100%
AmerUs Capital II	Iowa	100%
Aviva Capital Management, Inc.	Iowa	100%
ILICO Holdings, Inc.	Indiana	100%
Indianapolis Life Insurance Company	Indiana	100%
Bankers Life Insurance Company of New York	New York	100%
IL Securities, LLC	Indiana	100%
AmerUs Life Insurance Company	Iowa	100%
AmerUs Annuity Group	Kansas	100%
Senior Benefit Services of Kansas, LLC	Kansas	100%
Creative Marketing International Corporation	Kansas	100%
American Investors Life Insurance Company, Inc.	Kansas	100%
Family First Insurance Services	California	100%
Family First Advanced Estate Planning	California	100%
American Investors Sales Group, Inc.	Kansas	100%
Insurance Agency Marketing Services	Nebraska	100%
Brokers International, LTD	Iowa	20%

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2006, the Company was licensed to underwrite life and health business in the District of Columbia, the U.S. Virgin Islands, and all states except New York. ALICNY serves residents in the states of New York and Massachusetts. No new jurisdictions were added during this examination period.

Plan of Operation

For the year ending December 31, 2006, approximately seventy-two percent (72%) or $735,497,875 of the Company's direct premium was written in five states: Massachusetts, 42.1%; California, 12.4%; Pennsylvania, 6.6%; Texas, 5.8%; Florida, 5.5%. Direct written premiums of the Company's forty-seven (47) other jurisdictions (including Other Alien) amounted to approximately 28% or $281,440,331.

Although the Company and ALICNY (collectively, the "Companies") market a wide range of individual and group life and annuity products, marketing efforts emphasize tax-advantaged markets, such as investment oriented life and annuity products. The Companies' focus has been to provide retirement solutions utilizing fixed interest products, which has resulted in sales concentrated in the annuity lines of business.

Within its annuity portfolio, the Companies offer a diversified product selection, including qualified and non-qualified single and flexible premium deferred annuities (including equity indexed annuities beginning in 2005), structured settlements, tax-sheltered annuities, and immediate annuities.

The Companies market through a diversified distribution system with an individual product line focus. Product offerings are marketed and distributed through Master General Agents ("MGAs"), independent marketing organizations, financial institutions, and structured settlement brokers.

Best's Rating

Based on A.M. Best's current opinion of the consolidated financial condition and operating performance of the life/health members of the Aviva Group, the Company was assigned a Best's rating of A+ (Superior) for the year ending 2006.

GROWTH OF THE COMPANY

The following information was extracted from copies of the Company's filed Annual Statements, for each year indicated, and covers the period from the Company's last examination.

Year	Net Admitted Assets	Total Liabilities	Total Capital and Surplus	Premiums and Annuity Considerations	Deposit-Type Funds	Net Income / Losses
2006	$6,656,753,040	$6,238,048,514	$418,704,526	$858,868,326	$120,108,933	$(5,687,071)
2005	5,951,267,216	5,572,610,606	378,656,610	817,460,896	67,984,665	(2,255,299)
2004	5,210,559,788	4,863,564,064	346,995,724	619,020,068	70,814,853	(6,861,096)
2003	4,575,003,274	4,231,523,213	343,480,061	741,710,589	84,587,707	(10,801,976)

Aviva and its subsidiary benefit from the financial support of its ultimate parent, Aviva plc, the largest insurance group in the United Kingdom.

Since its last examination, total admitted assets have grown by $2,081,749,766, or 45.5%, while liabilities have increased similarly by $2,006,525,301, or 47.4%. During this time, total surplus has advanced by $75,224,465, or 21.9%, principally as a result of continued surplus contributions totaling $118,100,000 during the examination period. Refer to the "Capitalization" section of this Report, under the caption "Common Capital Stock and Paid-in Surplus" for details regarding surplus contributions received during the examination period.

Net losses for the period under review totaled ($14,803,466) and were generally viewed as resulting from on-going first year charges of its strong annuity sales.

Aviva's concentrated operating business profile in the highly competitive fixed annuity market is partially offset by its diversified annuity product offerings and liability structure. Although its universal life segment has shown modest growth in recent years, the annuity segment has generated the bulk of the growth, and the Company's future earnings may be impacted by the lack of critical mass within the life segment. Supporting the recent business growth is its diversified distribution system. Due to the interest-sensitive nature of the majority of its insurance liabilities, Aviva maintains a portfolio of investment-quality bonds to mitigate the interest-rate risk. The surrender charges inherent in the annuity contracts sold, and the considerable amount of non-surrenderable structured settlement and immediate annuities in the portfolio, provide additional liability protection.

REINSURANCE

Assumed Reinsurance

The Company reported no assumed reinsurance during the period under examination.

Ceded Reinsurance

The Company ceded premiums and benefits to other insurance companies under various reinsurance agreements during the period under examination. The ceded reinsurance agreements provide the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. The Company remains obligated with respect to amounts ceded in the event that the reinsurers do not meet their obligations. The Company evaluates the financial condition of its reinsurers, and monitors concentrations of credit risk arising from similar activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

During the period under examination (2004 thru 2006 inclusive) there were no material changes to the reinsurance of life policies. An annuity reinsurance agreement was recaptured in 2004 as discussed below under Ceded Reinsurance –Annuity.

The maximum reinsurance coverage provided by the ceding program is $10,000,000. No risks have been written for amounts above $10,000,000.

Ceded: Annuity

Effective January 1, 1983, the Company entered into a coinsurance reinsurance agreement covering its single premium annuity business with its subsidiary, Aviva Life

Insurance Company of New York. This agreement was canceled effective December 31, 1983, and the attendant business is being runoff. At December 31, 2006, the Company took a reserve credit of $10,814,805 under this contract, which represented approximately 55% of the total reserve credits taken by the Company.

During 2002, the Company entered into a quota share reinsurance contract with an affiliated reinsurer (Cure Life Ltd), 25% owned by Aviva USA Corporation, to reinsure 90% of the net liabilities on structured settlements and deferred annuities sold in 2001 and 2002 and also reinsured 75% of a block of deferred annuity business issued prior to 2000. There were no new agreements nor have any existing agreements been amended during the period under review. The contract is on a modified coinsurance basis, under which the Company retained the reserves and supporting assets relating to this business. At December 31, 2006, the modified coinsurance reserve was $1,303,089,808 under this contract.

During 2000, the Company entered into a quota share reinsurance contract with a non-affiliated reinsurer, reinsuring 90% of a block of deferred and immediate annuity business issued during 2000. During 2001, under this same treaty, the Company reinsured 90% of the structured settlement and immediate annuity business issued prior to 2000 and 90% of a block of deferred annuity business issued prior to 2000. The reinsurance under these agreements was recaptured effective July 1, 2004.

Ceded: Group Life

Group life insurance is reinsured under the terms of a treaty entered into on January 1, 1995 with an unaffiliated reinsurer. Under the provisions of this agreement, the Company cedes on an automatic basis, the excess of its maximum limit of retention. The Company's maximum retention for group life is $100,000. The maximum case volume (i.e. combined face amount) eligible for automatic reinsurance under the terms of the treaty is

$25,000,000. Case volumes in excess of $25,000,000 are submitted for reinsurance on a facultative basis. Group Accidental Death and Dismemberment is also reinsured. The Company's retention is a minimum of $25,000 and a maximum of $50,000 per person, per policy.

The Company cedes, on an automatic and facultative basis, 90% of its Group Long-Term Disability liability for claim benefits payable. The Company's retention under these contracts is 10%.

Under the provisions of two agreements that became effective on January 1, 1997, the Company cedes, on a Coinsurance basis, a 66 2/3% quota share of its Adjustable / Flexible Group Permanent Insurance Products issued as part of its MOA II Group Plan. The Company's retention under these contracts is 33 1/3%.

The Company reinsures, on a Coinsurance basis, all group accident and health business classified as Specific and Aggregate Stop Loss Medical insurance. Currently, the Company cedes a 70% quota share of the first $1,000,000 of specific medical expenses incurred per person, per policy year. The lifetime maximum is $2,000,000 per person.

All group accident and health business classified as Self Funded Specific Medical Stop Loss Policies and Self Funded Aggregate Stop Loss Policies covering Medical, Dental, Vision and Short Term Disability benefits is also reinsured on a Coinsurance basis. Under the first layer of specific coverage, the Company cedes an 80% quota share of the first $400,000 per insured individual inclusive of a specific deductible per accumulation period. The Aggregate Stop Loss provides for an 86% quota share cession of the risk in excess of the attachment point.

Catastrophe reinsurance coverage on group life business is provided under the terms of a treaty effective January 1, 1982.

Ceded: Individual Term, Whole Life and Universal Life

The Company maintains both yearly renewable term ("YRT") and coinsurance treaties, on both an automatic and facultative basis, with several unaffiliated reinsurance companies. Retention limits, on any one life, as of December 31, 2006, vary according to the age and rating of the risk involved. For the most part, the Company's retention limit, on any one life, for ages zero to sixty is $300,000. The Company's retention limit decreases significantly as the individual's age and rating increase. The Company currently has automatic insurance for amounts up to 15 times their retention limit or $4,500,000, which ever is less. The Company shares a portion of its standard retention on policies written by one of its significant bank distribution partners (HSBC Bank USA, N.A.).

Pursuant to the terms of a Quota Share agreement that became effective on January 1, 1993, the Company's Accidental Death Benefit coverage is 100% reinsured on a bulk basis. Currently, waiver of premium benefit is ceded on policies in excess of $10,000 of annual premium.

Catastrophe reinsurance coverage on individual life business is provided under the terms of a treaty effective October 1, 1973.

Refer to the "Accounts and Records" section of this Report, under the caption "Reinsurance" for comments and findings regarding the Company's reinsurance operations.

INTERCOMPANY AGREEMENTS

The Company had the following intercompany agreements and arrangements in effect as of December 31, 2006:

Service Agreement

Effective December 28, 2000, amended March 29, 2005, the Company entered into a tri-party Service Agreement with Aviva Service Corporation ("ASC"), and AUSAC. Under the terms of the agreement, ASC and AUSAC agree to perform certain administrative and managerial services on behalf of the Company, and certain other affiliated companies, in exchange for fees equal to the actual expense incurred by ASC. The expenses incurred by ASC are apportioned to each participating affiliated company based upon specific identification where feasible, and upon studies of employee activities for all other expenses. The Company paid ASC $39.9 million, $55.1 million, and $54.8 million for these services in 2006, 2005 and 2004, respectively. Refer to the "Accounts and Records" section of this Report, under the caption "Service Agreement" for exceptions noted regarding the reporting of this agreement in the Annual Statement "Notes to Financial Statements".

In conjunction with the above intercompany agreement, ASC entered into a separate agreement with Computer Science Corporation ("CSC") on behalf of the Company and ALICNY. Under the terms of the contract, CSC agreed to process all of the Company's Life/70 and Vantage-One insurance products in a remote CSC data center. In addition, CSC agreed to provide production support and development resources to maintain and develop product and service functionality on the Vantage-One and Life/70 systems. The agreement had an initial term of three (3) years. On January 1, 2006, the agreement was amended providing a clause giving the ASC the option to terminate the agreement after an additional two (2) years from the effective date of the amendment by providing CSC six (6) or twelve (12) months notice, and paying an applicable termination fee.

Consolidated Group Federal Income Tax Allocation Agreement

Effective May 25, 2001 and as amended and restated, the Company entered into a Tax Allocation Agreement to file a consolidated federal income tax return with its wholly owned subsidiary, ALICNY, under which federal income taxes are computed as if each company filed a separate return. Settlement terms and other provisions of the agreement were accepted without exception.

Revolving Line of Credit Agreement between Affiliates

Effective August 6, 2002 and as amended and annually renewed, the Company entered into a revolving line of credit agreement with Aviva USA Corporation, Aviva Service Corporation, Aviva Assignment Corporation and Aviva London Assignment Corporation for the purpose of managing fluctuations in day-to-day cash flow, enhancing overall portfolio returns and reducing the need for a borrowing party to maintain cash and short-term balances in excess of normal cash flow requirements. Under terms of the agreement, no revolving loan shall exceed three percent of the life insurer's admitted assets as of the 31st day of December next preceding, unless the Revolving Loan is submitted for approval in accordance with Chapter 50, section 5505(a)(2) of the Delaware Insurance Code. Revolving loans are payable by the borrowing party within twelve months of the date of the loan unless extended for additional twelve-month periods by written, mutual consent of the parties. As of the examination date, the Company had no loans outstanding under this agreement.

Effective November 19, 2002 and as amended and annually renewed, the Company maintained a similar agreement with its subsidiary ALICNY.

Corporate Asset Investment Management Agreement

Effective April 1, 2003 and as amended, the Company entered into corporate asset investment agreement with Morley Fund Management International, Ltd. ("MFM International") to provide investment research and advice for the purchase and sale of securities as requested by ALIC. During 2006, the Company paid MFM International $1,423,000 for services under the agreement.

Capital Maintenance Agreement

Effective April 11, 2003 and as amended, the Company entered into a Capital Maintenance Agreement with its indirect parent, Aviva International Insurance LTD ("AII"), under which AII agrees to maintain sufficient capital equal to 300% of the Company's Risk Based Capital Action Level requirements as currently defined by the NAIC. AII may do so in the form of direct or indirect capital contributions or by the purchase of newly issued shares of capital stock of ALIC.

EXTERNAL AGREEMENTS

In addition to the above intercompany agreements, the Company had the following external agreements in effect at December 31, 2006:

Custodial Agreement

On April 6, 2001 and as amended, the Company entered into a custodial agreement with Mellon Bank N.A. ("Mellon"), for the purpose of safekeeping the Company's invested assets. A review of the agreement showed it to contain all necessary and required safeguards protecting Company investments held by Mellon.

Investment Service, Advisory, Management, Data Processing and Accounting Agreements

As of the examination date, the Company remained a party to seven (7) separate investment, service, advisory, management, data processing and accounting agreements covering in total, its entire investment portfolio. Under the general terms of these agreements, the Company appointed the advisor and/or service provider discretionary authority to supervise, direct, manage, purchase, sell, exchange, convert, and otherwise transact in the listed securities, or types of securities, detailed in the individual agreements. Separate agreements covered data processing and investment accounting. All agreements required that the service provider adhere to the Company's investment guidelines. Including the Company, parties to these seven (7) agreements were: Principal Real Estate Investors, LLC; Principal Global Investors, LLC; Wellington Management Company; Standish Mellon Asset Management Company, LLC (two agreements); Shenkman Capital Management, Inc.; and State Street Bank and Trust Company.

At varying dates in February and March of 2007, these agreements were terminated and replaced with an Investment Advisory Agreement with an affiliate company, Aviva Capital Management, Inc. Refer to the "Subsequent Events" section of this Report, under the caption "Investment Advisory Agreement – Aviva Capital Management" for details of this agreement.

It was noted that four (4) of the seven (7) agreements had been in effect since the last examination of the Company, and that all investment transactions consummated during the examination period were approved by the Board of Directors and/or its committees.

Investment Advisory Agreement – Sun Capital Advisors, Inc.

Effective December 18, 2002, the Company entered into an Investment Advisory Agreement with Sun Capital Advisors, Inc. ("Sun Capital"). Under terms of the agreement, Sun Capital provides research, advice and supervision, and furnishing an investment program continuously with regard to the Company's real estate securities portfolio, which includes real estate investment trusts ("REITS") and other real estate companies.

Underwriting and Insurance Services Agreement

Effective August 1, 2006, the Company, ASC and ALICNY entered into an underwriting and insurance services agreement with Mid-America Agency Services, Inc. and TEG Enterprises, Inc. ("MAAS/TEG") for the purpose of outsourcing underwriting services for both life insurance and annuity underwriting business. Final policy issuance authority is retained by the Company. The agreement has an initial term of one (1) year, and will automatically renew for successive one (1) year periods, unless terminated.

PricewaterhouseCoopers Tax Services Engagement Letters

Effective January 1, 2005 and as amended, ASC and its affiliates (including the Company) entered into successive one year engagement letters with PricewaterhouseCoopers, LLP for the purposes of providing tax services for the years ending December 31, 2004, December 31, 2005, and December 31, 2006, respectively. Services provided include: preparation of federal and state income tax returns; state premium tax returns; the calculation of related taxes; as well as participation in tax calls and meetings with corporate personnel. Beginning for the 2007 tax year, these services will be performed in-house.

Other Vendor Contracts

In addition to the above (material) non-affiliated contracts, ASC, the Company and its affiliate ALICNY, have entered into other various contracts with independent contractors / vendors for the performance of services which include, but are not limited to, providing general strategic advice; strategic planning; business development efforts; actuarial services; independent auditing services; human resource and employment services; and, software and computer services. These agreements are renewed based on past performance and the needs of the Company at the renewal date.

ACCOUNTS AND RECORDS

Accounting System and Information/IT Process Flows

All necessary accounting records of the Company are maintained on electronic data processing equipment ("EDP") located in Quincy, MA, with the exception of Life/70 and Vantage-One insurance products, which are processed by Computer Sciences Corporation in a remote CSC data center, under terms of a service agreement between ASC and CSC. The general ledger is maintained on a statutory basis with additional accounts used to convert to the accrual basis suitable for Generally Accepted Accounting Principles.

The Company's equipment and information technology control environment was tested as part of the examination by INS Services, Inc. In addition, INS Services, Inc. performed a high-level review of the information/accounting and information technology 'process flow' of the Company's Quincy, MA operations.

As noted under the "History" section of this Report, on November 15, 2006, Aviva plc acquired the AmerUs Group Co., an Iowa holding company. Beginning in the second quarter of 2007, Aviva plc began the process of relocating all of the Company's operations to Des Moines, IA as part of its integration and merger plan of AUSAC and its subsidiaries into AmerUs. Refer to the "Subsequent Events" section of this Report, under the caption "Integration and Merger" for details regarding the planned integration and merger of the Company into the AmerUs group, which is anticipated to be completed in mid-2008.

Accounts and Records Findings

The following findings, recommendations and comments were noted during the examination and pertain to the Company's overall level of records maintenance and filed Annual Statement:

With regard to the filed 2006 Annual Statement, several presentation discrepancies were noted, principally related to cross-checks of both financial and non-financial reported information. The exceptions identified represent noncompliance with 18 Del.C. §526(a). Therefore,

> **It is recommended that the Company complete its annual statement blank in accordance with NAIC *Accounting Practices and Procedures*, NAIC *Annual Statement Instructions* and 18 Del.C. §526(a), ensuring that sufficient cross-checks are performed in the preparation of the Annual Statement, and verifying that all financial and non-financial data is reported accurately, completely, and appropriately.**
> Exception 1/10

Refer to the "Notes to Financial Statements" section of this Report, under the various balance sheet items for more information related to financial adjustments and discrepancies.

Independent Accountants

The Company's financial statements are audited each year by the firm of Ernst and Young, LLP or "E&Y" or "CPA", of Boston, MA. The examiners reviewed the audited statutory financial statements for all years under examination. For all years under review, E&Y issued an unqualified opinion. As noted in the "Scope of Examination" section of this Report, the examiners reviewed E&Y's 2006 workpapers, and incorporated their work and findings as deemed pertinent to the current examination.

Actuarial Opinion

The Company's loss reserves and related actuarial items were reviewed by Martin Sheerin, FSA, MAAA, Senior Vice President and Chief Actuary of Aviva Life Insurance Company, who issued a statement of actuarial opinion, based on the financial information presented by the Company. The opinion stated that the reserves and related actuarial values carried on the balance sheet were fairly stated and met the requirements of the insurance laws of the state of Delaware.

Reinsurance

The following comments and findings were noted during the current examination, and pertain to the Company's overall reinsurance program:

- A substantive review was performed of the Company's reported balances under Schedule S, Part 3, and the associated effectiveness of the reinsurance reporting operations. As part of this review, the Company's aging of the year-end 2006 Life & Annuity Paid Loss Reinsurance Recoverables demonstrated that Aviva lacked adequate controls to actively pursue the collection of reinsurance recoverables in a timely manner. Refer to the following table for details regarding reinsurance recoverable aging:

Year-End 2006 Life & Annuity Paid Loss Recoverable Aging as of June 1, 2007

	< 90 Days	90 - 179 Days	180 - 269 Days	270 - 365 Days	>365 Days	Total
No. Policies	0	2	10	5	7	24
Amount	0	49,905	630,998	289,512	249,587	1,220,002
% of Total	0%	4.09%	51.72%	23.73%	20.46%	100%

*Due to immateriality, aging for A&H Paid Loss recoverables totaling $57,960 was not reviewed. Total reinsurance recoverable at December 31, 2006 totaled $1,277,962.

Further to the above, substantive sampling and test work of both paid and unpaid loss recoverable balances reported at year-end 2006 in Schedule S, Part 2, revealed a lack of controls with regards to the Company's timely billing and collection of reinsurance recoverables. A sample review of six policies (four comprising 68.3% of Schedule S, Part 2 - Paid Losses, and two comprising 36.21% of reported Schedule S, Part 2 - Unpaid Losses), noted the following three exceptions:

1. Aviva billed the reinsurer, requesting payment on a paid loss, in excess of 244 days after claim benefit was paid;
2. Aviva did not contact the reinsurer to follow-up on the collection of a billed reinsurance recoverable in excess of 175 days after the reinsurer was billed;

3. Aviva billed the reinsurer; requesting payment on a paid loss, in excess of 165 days after claim benefit was paid.

These findings demonstrated that, (1) Aviva lacks adequate controls to ensure that all reinsurance recoverables and the associated receivables are set up in the general ledger, the CURSS system, and subsequently billed to reinsurers in a timely manner, and (2) Aviva lacks adequate controls to ensure that reinsurance recoverables are actively pursued and collected in a timely manner. Therefore,

It is recommended that the Company, (1) develop system reporting and monitoring/tracking mechanisms, and (2) implement operational policies, procedures, and controls to ensure that all reinsurance recoverables are identified, and the associated receivables are set up, billed to reinsurers, and collected in a timely manner.

Further**,**

It is recommended that the Company perform a detailed review of all open reinsurance recoverables and write-off those recoverables deemed to be "uncollectible" in compliance with SSAP No 1, paragraph 42, SSAP No 5, paragraph 6, and SSAP 61, paragraph 42, and report balances in accordance with NAIC *Annual Statement Instructions,* and 18 <u>Del.C.</u> 526(a).
Exception 2/10

- A review of the Company's ceded reinsurance program and the supporting reinsurance agreements reported under Schedule S - Part 3, revealed that the Company remained unable to provide copies of certain older reinsurance agreements and termination addendums. Therefore, as noted in the prior exam report, it is again recommended that the Company:

Reconcile all existing and underlying reinsurance contracts to the treaty set-ups and configurations used by the Reinsurance System.

Perform an in-depth review of its reinsurance program and make every effort to obtain signed copies of all reinsurance contracts currently in-force.

Implement the necessary internal control procedures to ensure that all reinsurance contracts entered into can be retrieved, documented and provided upon request.

Execute and maintain copies of formal termination endorsements in accordance with contract provisions for all terminated reinsurance contracts. Exception 3/10

Further, refer to Exception 1/10 under the caption "Accounts and Records Findings" in this section, regarding the Company's compliance with NAIC *Accounting Practices and Procedures* and 18 Del.C. §526(a).

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2006, as determined by this examination, along with supporting exhibits as detailed below:

Analysis of Assets, December 31, 2006

Statement of Liabilities, Surplus and Other Funds, December 31, 2006

Summary of Operations, December 31, 2006

Capital and Surplus Account, Statement of Income, December 31, 2006

Schedule of Examination Adjustments

Analysis of Assets
As of December 31, 2006

	Assets	Non-admitted Assets	Net Admitted Assets	Notes
Bonds	$5,915,063,417		$5,915,063,417	
Preferred Stock	43,314,167		43,314,167	
Common Stock	66,119,031		66,119,031	
Mortgage loans	160,461,525		160,461,525	
Cash	(5,654,844)		(5,654,844)	
Short-Term Investments	163,801,958		163,801,958	
Contract loans	174,010,917		174,010,917	
Receivable for securities	862,610		862,610	
Agg. Write-ins for invested assets:				
Derivative-FV hedge OTC	10,339,185		10,339,185	
Interest, dividends and real estate income	91,124,322		91,124,322	
Uncollected premiums and agents' balances	961,478		961,478	1
Deferred premiums, agents' balances and installments	3,223,490		3,223,490	
Amounts recoverables from reinsurers	1,277,962		1,277,962	
Funds held by or deposited with reinsurers	18,199,021		18,199,021	
Current federal and foreign taxes recoverable	2,790,212		2,790,212	
Net Deferred Tax Asset	42,931,024	34,919,945	8,011,079	
Guaranty funds receivable	324,760		324,760	
Receivable from parent, subsidiaries and affiliates	1,832,026		1,832,026	
Health care and other amounts receivable	690,724		690,724	
Aggregate write-in:				
Agents balance	1,364,711	1,364,711	0	
Returned checks	8,508	8,508	0	
Other assets non-admitted	336,057	336,057	0	
Total Assets	$6,693,382,261	$36,629,221	$6,656,753,040	

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2006

		Notes
Aggregate reserve for life contracts	$5,549,159,520	2
Aggregate reserve for accident and health contracts	403,143	3
Liability for deposit-type contracts	428,025,252	4
Contract claims – Life	33,168,253	5
Premiums and annuity considerations received in advance	31,694	
Interest maintenance reserve	58,795,982	
Commissions to agents due or accrued - life contracts and annuity	4,396,720	
General expenses due or accrued	2,744,661	
Taxes, licenses and fees	1,446,071	6
Unearned investment income	1,078,965	
Amounts withheld or retained by company as agent or trustee	379,892	
Amounts held for agents' account	556,010	
Remittances and items unallocated	89,207,557	
Asset valuation reserve	38,548,980	
Payable to parent, subsidiary and affiliates	6,431,514	
Payable for securities	18,128,200	
Aggregate write-ins for liabilities:		
Unclaimed funds	704,383	
Derivative-FV hedge OTC	3,932,602	
Fees to reinsurer	117,653	
Other miscellaneous liabilities	68,185	
Interest on suspense premiums	723,077	
Interest on policy contract funds	200	
Total liabilities	$6,238,048,514	

Common Capital Stock	$ 2,834,900
Gross pd in & contributed surplus	456,274,700
Unassigned funds (surplus)	(40,405,074)
Surplus	$418,704,526

Total liabilities and Surplus	$6,656,753,040

Summary of Operations
As of December 31, 2006

Premiums and annuity considerations for life and accident and health contracts	$858,868,326
Consideration for supplementary contracts with life contingencies	1,117,088
Net investment income	345,783,388
Amortization of interest maintenance reserve (IMR)	9,031,118
Commissions and expense allowances on reinsurance ceded	6,086,604
Reserve adjustments on reinsurance ceded	(189,038,330)
Aggregate write-ins for miscellaneous income:	
Experience fund	10,107,325
Fees on advances	40,012
Fees earned on administrative service contracts	9,856
Miscellaneous income	25,705
Interest on intercompany revolving loan	757,078
Interest income on funds held	944,693
Total	$1,043,732,863
Death benefits	$21,599,348
Matured endowments	(13,437)
Annuity benefits	144,973,043
Disability benefits and benefits under accident and health contracts	1,173
Surrender benefits and withdrawals for life contracts	236,742,252
Interest and adjustments on contracts or deposit-type contract funds	24,575,532
Payments on supplementary contracts with life contingencies	1,085,765
Increase in aggregate reserves for life and accident and health contracts	535,578,781
Totals	$964,542,457
Commissions on premiums, annuity considerations, and deposit-type contract funds	$61,845,687
General insurance expenses	21,231,807
Insurance taxes, licenses and fees, excluding federal income taxes	5,462,245
Increased loading on deferred and uncollected premiums	15,916
Aggregate write-ins for deductions:	
Fees to reinsurer	509,182
Miscellaneous expense	69,100
Totals	$1,053,676,394
Net gain from operations before dividends to policyholders and federal income taxes	$(9,943,531)
Federal and foreign income taxes	(2,091,955)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	(7,851,576)
Net realized capital gains (losses)	2,164,505
Net income	($5,687,071)

Capital and Surplus Account
As of December 31, 2006

Capital and surplus, December 31, prior year	$378,656,610
Net income	$(5,687,071)
Change in net unrealized capital gains or (losses)	(6,186,799)
Change in net deferred income tax	12,699,598
Change in non-admitted assets and related items	(10,287,296)
Change in asset valuation reserve	(12,888,504)
Surplus adjustments: Paid-in	57,600,000
Dividends to stockholders	(4,931,135)
Aggregate write-ins for gains and losses in surplus	
Surplus adjustment from prior period	9,038,399
Other insurance assets from prior period	690,724
Net change in capital and surplus for the year	40,047,916
Adjustment to surplus as a result of December 31, 2006 Examination	0
Capital and surplus, December 31, current year	$418,704,526

SCHEDULE OF EXAMINATION ADJUSTMENTS

There were no financial adjustments to the Company's balance sheet as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Assets

(1) Uncollected Premiums and Agents' Balances in Course of Collection $961,478

Based on planning materiality and tolerable error thresholds established during the examination, the above-captioned, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report.

The examiner's attempted to perform a review of the Company's uncollected premiums and agents' balances; however, the Company does not have a formal process in place to support that agents' balances in course of collection were being aged in accordance with SSAP No. 6. As a result, a determination of the accuracy of agents' balances past due more than 90 days could not be performed. Therefore,

> **It is recommended that the Company establish a formal process to ensure proper aging of agents' balances in accordance with the NAIC *Accounting and Practices and Procedures Manual*, SSAP # 6, and 18 Del. C. §1101(5).**
> Exception 4/10

Liabilities

Summary – Aggregate Reserves and Contract Claims

The Aggregate Reserves and Contract Claims as reported on page 3, lines 1, 2, 3 and 4, and in Exhibits 5, 6, 7, and 8, respectively, are the same as the amounts reported by the Company, and have been accepted for examination purposes. The Department's Consulting Actuary, INS Consultants, Inc. prepared the 2006 Certificate of Reserve Valuation for the Company as well as performed the reserves analysis for this examination. As part of the reserve analysis, the Consulting Actuary reviewed and tested company reserves reflected in the 2006 Annual Statement Exhibits 5, 6, 7, and 8, the breakdown of which is presented below. As support to the work performed by the Consulting Actuary, the examiners verified underlying data used to calculate reserves, with no exceptions noted.

As part of the examination of loss reserves, the following items were tested and reviewed as support to the analysis made:

- Asset Adequacy / Cash Flow Testing Analysis
- Reinsurance Risk Transfer
- Inclusion Testing
- Data Validity
- Roll-forward Analysis
- Reserve Methodology

(2) Aggregate Reserves for Life Contracts: ($5,549,159,520)

The reserve breakdown in Exhibit 5 (difference due to rounding), by type of benefit, is as follows:

Life Insurance	$ 689,609,278
Annuities	4,845,858,048
Supplementary Contracts with Life Contingencies	8,212,104
Accidental Death Benefits	86,003
Disability - Active Lives	945,046
Disability - Disabled Lives	2,177,288
Miscellaneous Reserves	2,271,753
Grand Totals (Net)	$ 5,549,159,520

Verification of reserves adequacy was performed using a combination of substantive data testing of a sample of files, roll-forward analysis and inclusion testing. No exceptions or inconsistencies were noted.

The primary risks associated with Exhibit 5 business are adverse mortality, asset default, interest rate volatility and mismatching of asset and liability cash flows. These risks were reviewed by evaluating the 2006 AOM. Based on that review, the Consulting Actuary accepted Aviva's appointed actuary's conclusion that additional reserves are not required.

Based on analysis of reserves performed, the Consulting Actuary concluded that the aggregate reserve for life contracts appears fairly stated, and has been accepted for the purpose of this report.

(3) Aggregate Reserves for Accident & Health Contracts: ($403,143)

Aviva supporting work papers were reviewed and no discrepancies were found. A trend analysis of the reserves indicated a reasonable pattern over the examination period. Based on materiality, no additional testing was deemed necessary. The liability for accident and health contracts appears reasonable, and has been accepted for the purpose of this report.

(4) Liability for Deposit-type Contracts: ($428,025,252)

Reserves consist of supplemental contracts ($22,235,766) and annuities certain ($405,789,486). During the examination, the Consulting Actuary reviewed Aviva's workpapers supporting the liability and found them to be in order. A trend analysis over the examination period was performed and appears reasonable.

The examiners verified data used to calculate the reserves for a random sample of contracts, with no exceptions noted. The Consulting Actuary verified reserves for all sampled contracts without exception. The Consulting Actuary concluded that Aviva's reserves for deposit type contracts comply with minimum standard valuation law requirements, appear reasonable, and have been accepted for the purpose of this report

(5) Contract claims: Life ($33,168,253)

Gross liabilities consisted of $34,525,952 for claims in course of settlement ("ICOS") and $1,668,096 for incurred but not reported claims (IBNR). Ceded ICOS amounts totaled $3,025,795. ICOS amounts were reviewed by the examiners and no exceptions were noted.

During the examination, Aviva supporting workpapers for the IBNR liability calculation were reviewed and no discrepancies were found. The Consulting Actuary also performed a trend analysis which showed a reasonable pattern over the examination period. Based on materiality, no additional testing was deemed necessary. The liability for contract appears fairly stated, and has been accepted for the purpose of this report.

(6) Taxes, Licenses and Fees: ($1,446,071)

The above-captioned, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report.

During a review of the Taxes, Licenses and Fees liability, it was disclosed by management that the Company does not establish a year-end accrual for state insurance department licenses and fees, or other miscellaneous taxes payable, based on the premise that the Company does not pay these fees until they are notified by the states. However, in accordance with 18 Del.C. § 1103(6), which states,

> "In any determination of the financial condition of an insurer, capital stock and liabilities to be charged against its assets shall include ... (6) Taxes, expenses and other obligations due or accrued at the date of the statement..."

the Company should accrue for all current year and prior year amounts, which would be payable in a subsequent period, especially those deemed probable and estimable. Therefore,

> **It is recommended that the Company establish a liability for all taxes, licenses and fees which are probable, estimable, and payable in a subsequent period for the current period, in accordance with 18 Del. C § 1103(6).**
> Exception 5/10

Further, refer to Exception 1/10 in the Accounts and Records" section of this Report, under the caption "Accounts and Records Findings," regarding the Company's compliance with NAIC *Accounting Practices and Procedures* and 18 Del.C. §526(a).

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

A review was performed of appropriate balance sheet and forepart files to verify corrective action had been taken with regard to prior examination report comments and recommendations.

Management and Control

Prior Exam Comment: It is recommended that the Company fully comply with Section 4919 of the Delaware Insurance Code by promptly notifying the Insurance Commissioner of all changes in personnel among its directors and principal officers.

Current Exam Finding: During the examination period, the Company failed to notify the Department for two officers elected in 2006. The matter was considered an oversight, which was subsequently corrected.

Reinsurance:

Prior Exam Comment: It is recommended that the Company perform an in-depth review of its reinsurance program and make every effort to obtain signed copies of all reinsurance contracts currently in-force.

Current Exam Finding: Based on work performed in a review of the Company's reinsurance program, the Company has not complied with the prior exam report recommendation. Refer to Exception 3/10 in the "Accounts and Records" section of this Report, under the caption "Reinsurance" for the current examination finding and recommendation.

Prior Exam Comment: It is recommended that the Company reconcile its reinsurance synopsis with the underlying reinsurance contracts to ensure that Schedule S of the Annual Statement is prepared accurately and completely.

Current Exam Finding: Based on work performed in a review of the Company's reinsurance program, the Company has not complied with the prior exam report recommendation. Refer to Exception 3/10 in the "Accounts and Records" section of this Report, under the caption "Reinsurance" for the current examination finding and recommendation.

Prior Exam Comment: It is recommended that the Company execute formal termination endorsements in accordance with contract provisions, for all terminated reinsurance contracts.

Current Exam Finding: Based on work performed in a review of the Company's reinsurance program, the Company has not complied with the prior exam report recommendation. Refer to Exception 3/10 in the "Accounts and Records" section of this Report, under the caption "Reinsurance" for the current examination finding and recommendation.

Prior Exam Comment: It is recommended that the Company implement the necessary internal control procedures to ensure all that reinsurance contracts entered into can be retrieved, documented and provided upon request.

Current Exam Finding: Based on work performed in a review of the Company's reinsurance program, the Company has not complied with the prior exam report recommendation. Refer to Exception 3/10 in the "Accounts and Records" section of this Report, under the caption "Reinsurance" for the current examination finding and recommendation.

Accounts and Records:

Prior Exam Comment: It is again recommended that for future Annual Statement filings, the Company complete its Annual Statement balance sheet and underlying schedules and exhibits in accordance with the NAIC Annual Statement Instructions and the NAIC Practices and Procedures Manual, in order to fully comply with Section 526(a) of the Delaware Insurance Code.

Current Exam Finding: A review of the filed 2006 Annual Statement noted several presentation discrepancies; these discrepancies related to both financial and non-financial reported information. Consequently, based on current examination findings, this exception remains outstanding. Refer to Exception 1/10 in the "Accounts and Records" section of this Report, under the caption "Account and Records Findings" for the associated exception for the current examination period.

Bonds

Prior Exam Comment: It is recommended that the Company take appropriate action to bring itself into compliance with the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office, as it pertains to investments in Bonds as mandated by Section 526(a) of the Delaware Insurance Code.

Current Exam Finding: A review of bond investments noted that of the one-thousand twelve bonds owned, the filing status could not be confirmed for two securities. Based on work performed, the Company has materially complied with this recommendation.

Prior Exam Comment: It is recommended that the Company report the correct NAIC designation for all Bonds owned in its Annual Statement Schedule D - Part 1.

Current Exam Finding: A review of bond investments noted that of the one-thousand twelve bonds owned, only one security had an incorrect NAIC designation. Based on work performed, the Company has materially complied with this recommendation.

Common Stocks

Prior Exam Comment: It is recommended that the Company take appropriate action to bring itself into compliance with the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office, as it pertains to investments in affiliated Common Stock and as mandated by Section 526(a) of the Delaware Insurance Code.

Current Exam Finding: Per conversation with the NAIC SVO, the Company is not required to submit a Sub-2 form pursuant to Part 8, Section 2(d)(ii) of the Purposes and Procedures manual of the NAIC SVO which states,

> "No filing of an investment in the common stock of a domestic SCA insurance company valued pursuant to Part 8, Section 3 (a)(ii)(A) of the Manual (statutory equity) shall be made with SVO after January 1, 1999. Insurers who select the Section 3(a)(ii)(A) valuation method to value an investment of common stock of a U.S. insurance SCA company after January 1, 1999 shall continue to apply the methodology and rules of this valuation method. The calculations made in support of such valuations and the rationale employed to address other relevant issues under Section 3(a)(ii)(A) of the Manual shall be retained for the benefit of state insurance examiners."

Based on work performed, this recommendation is not applicable to the Company; recommendation cleared for examination purposes.

Aggregate Reserve for Life Contracts

Annual Statement Reporting

Prior Exam Comment: It is recommended that the Company implement the necessary internal controls to ensure the reinsurance ceded reserves reported in Annual Statement, Exhibit 5 agree with the reinsurance ceded reserves in Schedule S - Part 3 - Section 1.

Current Exam Finding: A review of the Annual Statements for the period under examination note that ceded amounts reported on Exhibit 5 tie to reinsurance ceded reserves in Schedule S - Part 3 - Section 1 without exception. Based on work performed, the Company has complied with this recommendation.

Prior Exam Comment: It is recommended that reserves for non-deduction benefits be reported in the Annual Statement, Exhibit 5 under the Miscellaneous Reserves category.

Current Exam Finding: Based on a review of Exhibit 5 for all years under examination, the Company appears to be properly reporting non-deductible reserves as Miscellaneous Reserves, rather than including them as part of Life Reserves. Based on work performed, the Company has complied with this recommendation.

In-force Valuation Files

Prior Exam Comment: It is recommended that procedures be established to ensure that all traditional and universal life contracts in force are included in the in-force valuation files, and that lapsed policies are timely excluded from the in-force valuation files.

Current Exam Finding: Based on documentation provided in response to the inclusion sample testing, it appears that contracts in force are included in the in-force valuation files, and that lapsed policies are excluded from the in-force valuation files. The Company has complied with this recommendation.

Aggregate Reserve for Accident and Health Contracts

Prior Exam Comment: It is recommended that the Company establish procedures to ensure that all accident and health reserves are correctly included on page 3, line 2 and Exhibit 6 of its future Annual Statements filings.

Current Exam Finding: Based on the Actuary's review of A&H reserves, the Company has complied with the prior exam report recommendation.

Contract Claims: Life

Reserves

Prior Exam Comment: It is recommended that the Company establish procedures to ensure that all incurred but not reported claims (IBNR) are correctly included on page 3, line 4.1 and Exhibit 8 of its future Annual Statement filings.

Current Exam Finding: A review of IBNR liability did not note any material discrepancies. Based on work performed, the Company has complied with this recommendation.

Prior Exam Comment: It is recommended that the Company implement and fully adhere to the necessary internal control procedures that will ensure that the outstanding claim liability makes provision for all unpaid life claims and excludes all life claims previously paid.

Current Exam Finding: Based on work performed and documentation provided, the Company has implemented procedures and controls to comply with this recommendation

File and Records Organization

Prior Exam Comment: It is recommended that control procedures be implemented to ensure complete documentation in claim files with respect to death certificates, support for payment amounts and policy status documents.

Current Exam Finding: A review of a sample of claim files did not note any material discrepancies with claims file documentation. Based on work performed, the Company has complied with this recommendation.

Taxes, Licenses and Fees Due or Accrued

Prior Exam Comment: It is strongly recommended that the Company remit all premium taxes owed the State of Delaware for prior years, resulting from direct premiums received in jurisdictions in which it was not licensed.

Current Exam Finding: Based on a review of prior period tax returns, the Company has complied with this recommendation.

Prior Exam Comment: It is strongly recommended that commencing with the 2004 Delaware premium tax filing, the Company include all direct life and accident and health premiums received in jurisdictions in which it is not licensed in the premium tax base, in accordance with Section 702(b) of the Delaware Insurance Code.

Current Exam Finding: Based on review prior period premium tax returns, the Company has complied with this recommendation.

Remittances and Items Not Allocated

Prior Exam Comment: It is recommended that the Company take the necessary steps to ensure that the items comprising its general ledger suspense accounts are identified and cleared in a timely manner.

Current Exam Finding: The Company has made significant improvements over its control of the suspense accounts. The number of outstanding suspense items was reduced from over 8,000 items to 421 items outstanding greater than 90 days. Of those 421 items, 194 relate to structured settlement cases whereby settlement of the balances can typically exceed one year or more. Based on the work performed, the Company has made great strides in complying with the prior exam report recommendation. No recommendation will be noted for the current exam period based on the Company's progress to clear outstanding transactions.

SUMMARY OF RECOMMENDATIONS

1. It is recommended that the Company complete its annual statement blank in accordance with NAIC *Accounting Practices and Procedures*, NAIC *Annual Statement Instructions* and 18 Del.C. §526(a), ensuring that sufficient cross-checks are performed in the preparation of the Annual Statement, and verifying that all financial and non-financial data is reported accurately, completely, and appropriately. (See Accounts and Records: Accounts and Records Findings, page 24)

2. It is recommended that the Company, (1) develop system reporting and monitoring / tracking mechanisms, and (2) implement operational policies, procedures, and controls to ensure that all reinsurance recoverables are identified, and the associated receivables are set up, billed to reinsurers, and collected in a timely manner. (See Accounts and Records: Reinsurance, page 26)

3. It is recommended that the Company perform a detailed review of all open reinsurance recoverables and write-off those recoverables deemed to be "uncollectible" in compliance with SSAP No 1, paragraph 42, SSAP No 5, paragraph 6, and SSAP 61, paragraph 42, and report balances in accordance with NAIC *Annual Statement Instructions*, and 18 Del.C. §526(a). (See Accounts and Records: Reinsurance, page 26)

4. As noted in the prior exam report, it is again recommended that the Company:

   - Reconcile all existing and underlying reinsurance contracts to the treaty set-ups and configurations used by the Reinsurance System;
   - Perform an in-depth review of its reinsurance program and make every effort to obtain signed copies of all reinsurance contracts currently in-force;
   - Implement the necessary internal control procedures to ensure that all reinsurance contracts entered into can be retrieved, documented and provided upon request;
   - Execute and maintain copies of formal termination endorsements in accordance with contract provisions for all terminated reinsurance contracts.

   (See Accounts and Records: Reinsurance, page 26)

5. It is recommended that the Company establish a formal process to ensure proper aging of agents' balances in accordance with the NAIC *Accounting and Practices and Procedures Manual*, SSAP # 6, and 18 Del. C. §1101(5). (See Notes to Financial Statements: Uncollected Premiums and Agents' Balances in Course of Collection, page 32)

6. It is recommended that the Company establish a liability for all taxes, licenses and fees which are probable, estimable, and payable in a subsequent period for the current period, in accordance with 18 Del. C § 1103(6). (See Notes to Financial Statements: Taxes, Licenses and Fees, page 36)

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	December 31, 2003	December 31, 2006	Increase (Decrease)
Assets	$4,575,003,274	$6,656,753,040	$2,081,749,766
Liabilities	$4,231,523,213	$6,238,048,514	$2,006,525,301
Common Capital Stock	2,834,900	2,834,900	0
Gross Paid In and Contributed Surplus	338,174,700	456,274,700	118,100,000
Unassigned Funds (Surplus)	2,470,461	(40,405,074)	(42,875,535)
Total Capital and Surplus	343,480,061	418,704,526	75,224,465
Total Liabilities, Surplus and Other Funds	$4,575,003,274	$6,656,753,040	$2,081,749,766

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and its Information Technology consulting firm, INS Services, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, E&Y, and the Company's management and staff was appreciated and is acknowledged.

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Respectfully submitted,

Keith E. Misenheimer, CFE
Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

Integration and Merger

As noted under the "History" section of this Report, Aviva plc acquired the AmerUs Group Co. and its subsidiary companies on November 15, 2006. As a result of this acquisition, Aviva plc intends on integrating and merging AUSAC with and into the newly acquired AmerUs operations.

On March 29, 2007, management of Aviva Life Insurance Company gave a presentation to the Delaware Insurance Department regarding the proposed integration of Aviva Life Insurance Company into the AmerUs Group; a process which actually began in January 2007. As a result of the Company's integration into AmerUs Group, the following has occurred:

- Aviva Life Insurance Company has received approval effective February 8, 2007 from the DEDOI to enter into an investment advisory agreement with Aviva Capital Management, Inc. (f/k/a AmerUs Capital Management Group, Inc.). Refer to the caption "Investment Advisory Agreement" in this section of this Report.
- Aviva Life Insurance Company has notified the DEDOI that it intends to begin receiving services from certain AmerUs affiliates through a cost-based sub delegation of services under its existing services agreement with Aviva Services Corporation.

The tentative integration plan includes the consolidation of all Aviva USA and AmerUs insurance companies (other than American Investors Life Insurance Company, Inc.) into a single entity domiciled in Iowa and a single New York entity. Reasons for the consolidation include:

- A business strategy that requires a single, simplified, streamlined platform to better serve policyholders and reduce costs;
- The complexity created by multiple entities and legacy administration systems makes it more difficult to serve policyholders and increases costs and redundancies;
- Multiple domiciliary regulators creates additional costs and risks;
- AmerUs management and infrastructure are headquartered in Des Moines, IA.

A summary of the entity consolidation project and current target milestones follows:

- November 1, 2007 - Rename AmerUs Life Insurance Company (IA) as Aviva Life and Annuity Company (IA)

- December 31, 2007 - Merger of Aviva Life Insurance Company of New York into Bankers Life Insurance Company of New York and rename to Aviva Life and Annuity Company of New York;
    1. DEDOI approval of related extraordinary dividend required

- January 1, 2008 - Holding company merger (i.e., merge Aviva USA Corporation into AmerUs Group Co.)

- Midyear 2008 - Aviva Life Insurance Company (DE) prepared to cease writing new business

- No later than September 30, 2008 - Aviva Life Insurance Company (DE) and Indianapolis Life Insurance Company (IN) merge with and into Aviva Life and Annuity Company (IA)

<u>Changes to the Board of Directors and Officers Subsequent to December 31, 2006</u>

As part of the process to integrate and merge the Company with and into AmerUs Life Insurance Company, subsequent to December 31, 2006 all members of the Board of Directors, with the exception of Thomas C. Godlasky, resigned. On February 7, 2007 via a Written Consent of Board of Directors in Lieu of Meeting, Thomas C. Godlasky, being all of the members of the Board of Directors of the Company elected six new members to the Board of Directors of the Company. Subsequently, on August 8, 2007, AUSAC, via a Written Consent of Stock Holder in Lieu of Annual Meeting, elected / re-elected members to the Board of Directors of the Company. As of August 8, 2007, the members of the Board of Directors together with their principal business affiliation were as follows:

Name and Date Elected	Principal Business Affiliation
Thomas C. Godlasky Elected: 11-15-06	Chairman of the Board, President & CEO Aviva Life Insurance Company
Gregory D. Boal Elected: 2-7-07	Executive Vice President – Chief Investment Officer AmerUs Group
Brian J. Clark Elected: 2-7-07	Executive Vice President – Chief Product Officer AmerUs Group
Mark K. Hammond Elected: 2-7-07	Senior Vice President – Planning & Analysis AmerUs Group

Mark V. Heitz Elected: 2-7-07	Executive Vice President – Annuity Sales & Distribution AmerUs Group
Ronald L. Keller Elected: 8-8-07	Senior Vice President - Office of the President AmerUs Group
Siva I. Pathman Elected 2-7-07	Executive Vice President – Insurance Administration AmerUs Group

As part of the process to integrate and merge the Company with and into AmerUs Life Insurance Company, on February 7, 2007 via a Written Consent of Board of Directors in Lieu of Meeting, Thomas C. Godlasky, being all of the members of the Board of Directors of the Company, elected principal officers of the Company. Subsequently, on August 28, 2007 the Board of Directors elected / re-elected the principal officers of the Company as follows:

Officer:	Title:
Thomas C. Godlasky	Chairman, President and Chief Executive Officer
Gregory D. Boal	Executive Vice President – Investments
Michael D. Boltz	Executive Vice President – Information Technology
Brian J. Clark	Executive Vice President – Chief Product Officer
Philip C. Easter	Executive Vice President
Mark V. Heitz	Executive Vice President – Annuity Sales and Distribution
Siva I. Pathman	Executive Vice President – Insurance Administration
Kathy J. Bauer	Senior Vice President – Human Resources
Kent M. Campbell	Senior Vice President – Distribution
Maureen H. Closson	Senior Vice President – Compliance
Richard C. Cohan, Jr.	Senior Vice President – General Counsel
John D. Currier	Senior Vice President – Annuity Product Manager
Brenda J. Cushing	Senior Vice President
Rhonda R. Elming	Senior Vice President – Life Product Management & Illustration Actuary
Mark K. Hammond	Senior Vice President – Chief Financial Officer and Treasurer
W. Jeffery Heng	Senior Vice President – Valuation and Product Reporting & Appointed Actuary
William W. Kenny	Senior Vice President – Taxation and Tax Counsel
Candace K. Linville	Senior Vice President – Insurance Administration
Sharokh Nassiri	Senior Vice President – Financial Institutions
Timothy S. Reimer	Senior Vice President – Investment Strategy
Garret P. Ryan	Senior Vice President – National Markets Organization (Life)
Peter R. Scanlon	Senior Vice President – Alternative Distribution
Jeffery J. Whitehead*	Senior Vice President – Finance
R. Kirk Bailey	Vice President – Reinsurance

Paul J. Curran	Vice President – Statutory Accounting
Laurel Colton	Director – Product Compliance
Christopher J. Littlefield	Secretary

* Resigned in September 2007

In addition to the above officers, additional vice presidents, assistant vice presidents and other assistant officers were also appointed.

Investment Advisory Agreement – Aviva Capital Management

As part of the efforts to integrate AmerUs Group Co. services into the Aviva companies, effective February 8, 2007, the Company entered into an Investment Advisory Agreement with Aviva Capital Management, Inc. ("Advisor"), f/k/a AmerUs Capital Management Group, Inc., whereby the Advisor will provide investment management, investment accounting, and asset/liability management services to the Company for all assets required to be listed on lines 1 through 10 of page 2 of the NAIC Annual Statement blank for Life and Accident and Health Companies, other than policy loans and real estate occupied by the Company. For services provide, the Company will pay an annual fee (payable quarterly) of 30 basis points, calculated on total assets identified. Invoices will be due and payable within ten business days after they are received by the Company. The Advisor acknowledges that actions taken by the Advisor are subject to the continuous supervision of the Company's Board of Directors.

Class Action Settlement

The Company was a recipient of a class action settlement of $6.7 million with Worldcom, Inc. Entities that purchased securities of Worldcom, Inc. during the period from April 29, 1999 through June 25, 2002 were entitled to proceeds in the class action. Notification of the settlement was on January 23, 2007 with actual proceeds received and recorded on January 24, 2007. The Company recognized a realized loss of $13.4 million on Worldcom, Inc. securities in 2002.