

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

IN THE MATTER OF:

AMERICAN EQUITY INVESTMENT LIFE
INSURANCE COMPANY

RESPONDENT.

DBR No. 18-IN-016

CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and American Equity Investment Life Insurance Company (“Respondent” or the “Company”) as follows:

1. Respondent is an insurer licensed in the State of Rhode Island to issue Life, Accident and Health, and Annuity contracts.
2. The Department received complaints from two consumers against independent agents who had contracted to work with the Company in March of 2016. The complaints alleged both inappropriate marketing of the products as well as concerns with the Company itself.
3. The Department conducted an initial investigation into the complaints and requested information from the Company throughout 2016 as it initially built a case against the agency.
4. In August 2016, the Department began a market analysis of the Company based on the 2015 year-end Market Conduct Annual Statement data. The analysis identified several concerns about the Company, including supervision of its agents, whether contract

forms were appropriately filed for approval before being marketed and sold to Rhode Island consumers, and whether elements of illustrations used in the sale of contracts to the complainants were misleading.

5. On February 1, 2017, the Department called a targeted market conduct exam for annuity contracts issued from January 1, 2014 through December 31, 2016. That exam proceeded throughout the remainder of 2017. As the exam continued, preliminary findings of the examiners were shared with the Company throughout the process.
6. The Department adopted a final examination report (the "Report") on July 27, 2018, that includes twelve findings where the Company failed to comply with Rhode Island laws and regulations, and a thirteenth finding identifying additional recommendations for the Company. The Report also identified numerous recommendations of how the Company could address those concerns. Some of these findings address violations that the Company has already addressed, and other violations are to be addressed by the Company pursuant to the Report process and this Consent Agreement.

THEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following:

- I. Respondent and the Department agree to the following provisions, which were recommended in the Report and agreed to by the Company.
 - 1) For all pending applications submitted by a Rhode Island agent, the Company agrees to verify the producer's license is valid.
 - 2) Company agrees to implement a change to its procedures to ensure that their

producer represents to the consumer that all sales materials have been left with the consumer.

- 3) The Company has already filed for approval with the Department the version of Form 4000 it uses, as required by 230-RICR-20-25-4 (formerly Insurance Regulation 29).
- 4) The Company agrees not to use the Table of Guaranteed Values with contracts which did not include such table in the filing with the Department. The Company will continue to issue the Table of Guarantee Values with those contracts upon filing with and receiving approval from the Department. The Company will work with the IIPRC to ensure compliance with all impacted IIPRC contracts.
- 5) The Company agrees to update contract documents it provides to Rhode Island consumers to properly display different free-look periods for new issue and replacement contracts once the Department approves the updated contract language.
- 6) The Company agrees to address the illustration of the Foundation Gold and Retirement Gold products to correctly reflect the bonus's vesting appropriately.
- 7) The Company agrees to implement additional twisting and churning controls. The Company further agrees to submit monthly twisting and churning analysis performed for Rhode Island producers for each of the six (6) months following its implementation of the additional twisting and churning controls.
- 8) The Company agrees to adjust its internal controls to flag non-resident sales in Rhode Island for additional review by its New Business team.

- 9) The Company agrees to add additional criteria to its automated review variables, and to manually review all applications with income under a set dollar figure.
- 10) The Company agrees to review and revise as necessary its procedures to ensure that it has collected all information required on the suitability form from the applicant in order to make an adequate suitability recommendation.
- 11) The Company agrees to review and revise as necessary the product disclosures and sales brochures to ensure that applicants are sufficiently informed about product features.
- 12) The Company agrees to conduct a suitability review of every contract issued in Rhode Island during the period of the exam.
- 13) The Company agrees to a number of recommendations outlined in the aforementioned thirteenth finding, including reviewing the top five Rhode Island producers and between five and ten random producers each quarter, amending its Code of Conduct for its producers, reviewing all product disclosures, and expanding accuracy review checks beyond applications flagged for heightened review.

II. Respondent agrees to an administrative penalty, pursuant to R.I. Gen. Laws § 42-14-16, in the amount of Two Hundred and Twenty-Five Thousand Dollars (\$225,000) to be paid to the General Treasurer of the State of Rhode Island as follows:

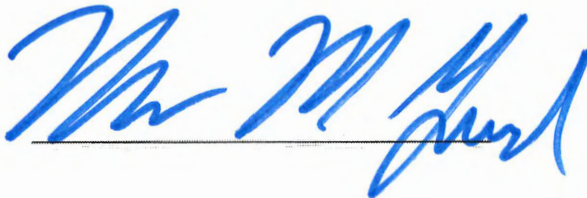
- (i) One Hundred and Twenty-Five Thousand Dollars (\$125,000) to be paid within thirty (30) days of the execution of this Consent Agreement; and
- (ii) One Hundred Thousand Dollars (\$100,000) to be suspended, and either

withdrawn or reinstated upon the following conditions:

- a. By June 30, 2020, the Director shall issue an order withdrawing the suspended portion of the penalty, if the Director, in the Director's sole discretion, determines that Respondent timely complied with all material respects with all the corrective actions required by this Consent Agreement.
- b. If Respondent fails to materially comply with a corrective action required by this Consent Agreement or fails to timely pay the One Hundred and Twenty-Five Thousand Dollars (\$125,000) portion of the administrative penalty, then any or all of the suspended portion of the administrative penalty shall be payable, at the sole discretion of the Director, within thirty (30) days after Respondent receives notice and an opportunity for a hearing as specified in R.I. Gen. Laws § 42-35-1 *et seq.* The only issue at any such hearing is whether Respondent has failed to comply with the terms of this Consent Agreement. Respondent waives any right to contest the amount of the Administrative Penalty after a determination is made that Respondent is not in compliance with the terms of this Consent Agreement.

Counsel for the Department and Respondent hereby consent and agree to the foregoing on behalf of their respective clients this 24th day of October 2018.

Department of Business Regulation
By its Legal Counsel,



American Equity Investment Life
Insurance Company
By its Counsel,

