Balanced Allocation Annuity™

Aviva Life and Annuity Company
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Finding a Balance

There was a time when planning for retirement was a fairly straightforward process.

A generation ago, those Americans that were able to retire generally relied upon a pension, social security and some personal savings to make it through a retirement that may have lasted only about 10 years.

If a couple is 65 today, there is a more than 50 percent chance that one of them will live to age 92.

Since then, planning for retirement has become substantially more complicated. Out of necessity, Americans have been forced to become increasingly responsible for their own retirement income as pensions and lifetime healthcare coverage have, in many instances, become things of the past. Further, longevity has become a significant issue. Medical advances and healthier lifestyles mean that Americans are living longer than ever before. In fact, according to the U.S. Census Bureau, people age 85 and older are the fastest growing segment of the population¹.

Not surprisingly, for a couple who are both age 65 today, there is a more than 50 percent chance that one of them will live to age 92². As a result, many Americans will spend as much as a third of their lives in retirement.

To compound matters, rising costs of living, healthcare costs, taxes, inflation, and market volatility all work to reduce the amount of income available to live on during retirement. Time and experience have shown us the best way to overcome these challenges is to strike a balance between keeping retirement savings secure and, at the same time, maximizing the amount of income generated from them.

Traditional solutions to achieving a balance between these conflicting goals have produced mixed results.

There are choices available today that can reduce the guesswork and address these retirement issues more effectively than ever before.

² Source: Society of Actuaries Annuity 2000 Mortality Table. Figures assume a person is in good health.
The Balanced Allocation Annuity™

The Balanced Allocation Annuity™ is a single premium indexed deferred annuity that has been developed specifically to be an integral part of a sound, long-term retirement plan and to help turn your vision of retirement into a reality by offering:

• The guarantees and security you need for your retirement savings;
• The opportunity for long-term accumulation of your principal;
• Flexibility to access your retirement savings, and;
• The opportunity to create a guaranteed lifetime income.

You can achieve peace of mind and prosperity with Aviva.
Strong Guarantees and Tax Deferral

You can have confidence in knowing the retirement savings allocated to the Balanced Allocation Annuity™ are safe and secure.

A crucial aspect of any sound long-term financial plan is to make sure your retirement savings are available when you need them. Fixed annuity products—like the Balanced Allocation Annuity™—can be an excellent choice to meet this goal because fixed annuities, by design, offer a level of safety, security and guarantees which can make them a cornerstone of a comprehensive financial plan. To that end, the Balanced Allocation Annuity™ offers you a series of guarantees to help you meet your long-term retirement goals and objectives.

**Principal Guarantee**
With the Balanced Allocation Annuity™, your annuity is guaranteed to never lose principal (the single premium you pay into your Contract), provided the Contract is not surrendered during the Withdrawal Charge period and no early Withdrawals are taken in excess of your Contract’s Free Withdrawal amount. Withdrawals in excess of the Free Withdrawal amount will incur a Withdrawal Charge and any applicable Market Value Adjustment (MVA), which could cause you to receive less than your original principal. The MVA is not applicable in all states; see p. 9 for more information on the MVA.

**Minimum Guaranteed Contract Value**
The Balanced Allocation Annuity™ offers you the security of a Minimum Guaranteed Contract Value that ensures—regardless of market conditions—that you will receive a minimum interest crediting rate on a percentage of your premium while the Contract is in effect.

**Excess Interest Guarantee**
Your Minimum Guaranteed Contract Value is enhanced by a feature called Excess Interest. “Excess Interest” is simply the difference between the growth in your Accumulation Value and the Minimum Guaranteed Contract Value. Here’s how it works: If, at the end of your Contract Withdrawal Charge period, the interest credited to your Accumulation Value is greater than the interest credited to the Minimum Guaranteed Contract Value, then your Minimum Guaranteed Contract Value will be increased by that difference in interest credits.

From that point forward, this new Minimum Guaranteed Contract Value will earn interest at the minimum interest crediting rate. Again, this provides you with an added level of security against market volatility because—regardless of market conditions—the value of your Contract can never fall below this new Minimum Guaranteed Contract Value.

If there is any Excess Interest, it will be credited at the end of the Withdrawal Charge period and at the end of every two-year interest crediting Term thereafter.

**Lifetime Income**
The Balanced Allocation Annuity™ provides annuitization options that offer you the ability to create guaranteed lifetime income, ensuring that your retirement savings will last as long as your retirement. The amount of the payments will be based on the annuitization option you choose and the current annuitization interest rates at the time of your selection. In no case will the interest rate used to calculate the payments be less than an effective annual interest rate of 1.50 percent.
Benefits of Tax Deferral

The Balanced Allocation Annuity™ is a single premium indexed deferred annuity that enables your money to grow on a tax-deferred basis.

This can be a benefit because you do not have to pay taxes on the interest credited to an annuity until it is actually withdrawn or distributed to you. That means your money may grow faster in an annuity than it would in many other retirement savings products\(^3\). See the benefit that tax-deferred growth of your annuity provides in the chart below.

\(^3\) Under current tax law, the Internal Revenue Code already provides tax deferral to IRAs, so there is no additional tax benefit obtained by funding an IRA with an annuity; consider the other benefits provided by an annuity, such as lifetime income and a Death Benefit. This hypothetical example is for informational purposes only and is not indicative of past, nor intended to predict future performance of any annuity product; nor is it intended to represent any particular product or interest crediting method.
A Balanced Approach to Crediting Interest To Your Contract

The Balanced Allocation Annuity™ provides the safety of a traditional fixed annuity, and also offers you the opportunity to choose how the interest credited to your annuity is determined.

At application, the patented Balanced Allocation Strategy® allows you to chose from different options. These options determine your interest using a formula combining three elements – an index allocation and a declared rate allocation, and any applicable charges.

The index element is linked to the performance of a market index or blend of indices. The declared rate element is applied to an interest rate set by Aviva Life and Annuity Company. The appreciation from the index and declared rate elements are added together less any applicable charges (sometimes referred to as ‘spreads’) to determine the amount of interest that is credited to your Contract. In the event there are no interest earnings for the Term, there will be no charges. This patented Balanced Allocation Strategy® offers you the potential for better long-term accumulation, particularly in periods of low interest rates.

A more detailed description of the specific index allocations available and the formula used to calculate interest is available in the Balanced Allocation Annuity™ Disclosure Summary provided by your insurance producer or financial advisor.

The Balanced Allocation Strategy® provides your retirement savings the opportunity for long-term accumulation without the downside risks associated with investing directly in the stock market.

See the Balanced Allocation Annuity™ “Allocation Option” product insert for information regarding the allocations, charges and rates.

Balanced Allocation Strategy®
The appreciation from a predetermined blend

Index Allocation

Declared Rate Allocation

– Applicable Charges

Interest Earnings Under the Balanced Allocation Strategy®

Your Premium +

Interest Earned =

Accumulation Value

*U.S. Patent #7,590,581 and other patent pending.

Fixed indexed annuities are not stock market investments and do not directly participate in any stock or equity investments. Market Indices do not include dividends paid on the underlying stocks, and therefore do not reflect the total return of the underlying stocks; neither an Index nor any market-indexed annuity is comparable to a direct investment in the financial markets. Clients who purchase indexed annuities are not directly investing in a stock market index.
Advantages of a Balanced Approach

The Balanced Allocation Strategy® was specifically developed to keep your retirement savings safe from market downturns while enhancing the opportunity for long-term accumulation.

The Balanced Allocation Annuity™ keeps your retirement savings secure by guaranteeing that your premium and the interest that is credited to your Contract can never be lost to market downturns.

At the same time, there are no limits or “caps” placed on the upside earnings potential of the Balanced Allocation Strategy®. Ultimately, this provides you with the opportunity to realize above average long-term accumulation compared to other common financial products (i.e. savings accounts, bank CDs, etc.) particularly in times of low interest rates. All this plus the peace of mind that comes from knowing your annuity is fully backed by the financial strength of Aviva Life and Annuity Company.

A Hypothetical Example of Balanced Allocation Values
(12/31/80-12/31/10)

<table>
<thead>
<tr>
<th>Guaranteed Value</th>
<th>Worst 12-Year Period</th>
<th>Average 12-Year Period</th>
<th>Best 12-Year Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$118,998</td>
<td>$174,321</td>
<td>$217,757</td>
</tr>
</tbody>
</table>

Non-Guaranteed Assumptions
- 35% S&P 500 Index Allocation
- 65% Declared Rate Allocation
- 1.5% Declared Rate
- 0.5% Charge (Spread)

This example assumes a contract was issued each business day and held for 12 years with no Withdrawals or surrenders. These allocation percentages and rates are not guaranteed and may not be representative of the allocation percentage and charge at the time your contract is issued. The use of alternate rate assumptions would produce significantly different results. Although this product was not available for the period of time referenced above, actual historical prices of the S&P 500 Index have been used in this example. This example is intended solely for comparative values and is not an indication of the annuity’s past or future performance. Annuities are not FDIC insured; are not obligations or deposits of, and are not guaranteed or underwritten by any bank, savings and loan or credit union or its affiliates; are unrelated to and not a condition of the provision or term of any banking service or activity.
Convenience and Flexibility

The Balanced Allocation Annuity™ provides you with the flexibility to track your annuity Contract values during the life of your Contract.

One key to making important decisions about your long-term retirement savings is having access to important information when you need it. To that end, the Balanced Allocation Annuity™ offers significant advantages not commonly found in fixed indexed annuity products.

In a patent-pending first for fixed indexed annuities, the Balanced Allocation Strategy® allows for the tracking of Contract values daily, which means interest earnings are calculated and credited upon any triggering event. The Contract’s triggering events include: a Death Benefit, annuitization, terminal illness or confinement, Required Minimum Distribution or free partial withdrawal. Otherwise, interest is credited and calculated at the end of each Term.

You can track these daily values on the Aviva website on the Annuities page under Access Your Account. They will also be on your statement.

You can count on us to be here when you need us.
The Power of Two-year Terms

The chart below depicts the Best and the Average hypothetical Balanced Allocation Values the Balanced Allocation Annuity™ would have produced during its initial two-year Term had it been available during the 30-year period ending December 31, 2010. Assuming an initial premium of $100,000, the Balanced Allocation Value of the Contract would have grown by an annualized rate of approximately 14 percent during the best two-year Term. The average growth during all of the two-year Terms during this period was approximately 4 percent. During the worst performing two-year Term, the Contract would not have received any interest, but the premium would have been protected inside of the Contract and remained intact*, as depicted in the Minimum Guaranteed Contract Value.

**BalancedAllocation Annuity™**

Hypothetical Example: Guaranteed, Average, Best Two-year Term

(12/31/80 - 12/31/10)

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* Withdrawals in excess of the free amount may be subject to Withdrawal Charges and a Market Value Adjustment.
Free Withdrawals

Access your money in case of life’s emergencies.

If your needs should change unexpectedly, it’s reassuring to know that you have access to the money in your annuity.

You may withdraw 5% of your Accumulation Value during the first 12-months of your Contract and 10% of your Accumulation Value each 12-month period thereafter without incurring a Withdrawal Charge or Market Value Adjustment.

In the event you need access to more than the Free Withdrawal amount, you are always entitled to access any amount you deem necessary up to the full surrender value.

Any amount withdrawn in excess of the Free Withdrawal amount is subject to a Withdrawal Charge and Market Value Adjustment (MVA). The MVA may adjust the withdrawal amount payable—up or down—depending upon the interest rate conditions at the time of distribution. Please refer to the Balanced Allocation Annuity™ Additional Information insert for more information about Withdrawal Charges and specific rules and formulas relating to the MVA.

Should the need arise, the Balanced Allocation Annuity™ provides a number of ways to access your money.

Accessing Your Money

Checkbook Withdrawals
For your convenience, Checkbook Withdrawals are available. You may order a draft book and write up to two drafts per Contract Year. Each draft must be a minimum of $500 and must be made payable to you or your financial institution. Any amount withdrawn in excess of the Free Withdrawal amount is subject to a Withdrawal Charge and Market Value Adjustment (MVA).

Systematic Withdrawals
You also have the ability to have Withdrawals automatically deposited into your bank account on a monthly, quarterly, semiannual, or annual basis.

Substantially Equal Periodic Payments
If you need to access the money in your annuity prior to reaching age 59½, there is usually a 10 percent tax penalty imposed by the IRS. However, the IRS does allow certain exceptions to this penalty, including “Substantially Equal Periodic Payments” under Section 72(q) for non-qualified money or Section 72(t) for qualified or IRA money. Consult your insurance producer or tax advisor to determine if this option could be appropriate for you.

Required Minimum Distributions
If your Contract is covered under Internal Revenue Code Sections 401, 403, 408, 408A, 457 and current IRS rules regarding minimum distributions, the IRS requires that you withdraw a minimum amount each year after turning age 70½—this is referred to as a Required Minimum Distribution, or RMD. Your RMD will never be subject to Withdrawal Charges, even if it is more than the Free Withdrawal amount in your Contract.

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4 Taxable amounts withdrawn prior to age 59½ may be subject to a 10% IRS penalty in addition to ordinary income tax.
Annuitization Feature
You have the opportunity on the Contract's Annuity Date to elect a guaranteed stream of income that will last as long as your retirement. There are a variety of “payout” options to meet your needs.

After the first Contract Year, and at the Company's discretion, you have the option to exchange your Contract for a single premium immediate annuity without incurring Withdrawal Charges or Market Value Adjustments. Consult your insurance producer or tax advisor for complete details and limitations. This feature is not available in all states.

Confinement and Terminal Illness Waivers
After your Contract has been in effect for one year, if you are diagnosed with a terminal illness, or in the event that illness or serious accident necessitates a stay in a Qualified Care Facility for a minimum of 60 consecutive days, you can withdraw up to 100 percent of your annuity’s value free of any Withdrawal Charges or Market Value Adjustments. Additional limitations may apply.

Access Your Information Online
For your added convenience, you have 24-hour online access to valuable information about your annuity Contract.

By registering at www.avivausa.com, under the Annuities page and ‘Access Your Account Information,’ you will be able to log on and gain access to this information 365 days a year. In addition, you will receive an annual statement providing detailed information that will include the current value of your annuity Contract.

Not available in all states. Massachusetts, the Terminal Illness and Confinement Waivers are not available; in Texas, the Terminal Illness and Confinement Waivers do not require a one-year exclusion period; and in Pennsylvania, the Terminal Illness Waiver is referred to as the Terminal Condition Waiver.
Guarantee and Protect the Legacy you Leave Your Beneficiaries

Should you, as the Annuitant, pass away before you begin receiving payouts from your annuity, the full value of your annuity will be payable to your named Beneficiary(ies). The Death Benefit will be equal to the greater of your Contract’s Cash Surrender Value or the Balanced Allocation Value which is the Accumulation Value, plus interest not yet credited for the Term. The Death Benefit will never be an amount less than that required to comply with any applicable laws of the state in which your Contract is issued. Neither Withdrawal Charges nor a Market Value Adjustment will be applied to the Death Benefit paid.

Furthermore, this direct payment to your Beneficiary generally avoids the expense and delays of probate. Under certain circumstances, spousal beneficiaries may be able to continue the Contract as their own and continue to benefit from tax-deferred accumulation.
Family Endowment Rider®

The Family Endowment Rider can help you generate retirement income.

If one of your goals is to leave a legacy for your loved ones, you may elect to add the patent-pending Family Endowment Rider® to your Contract. The Family Endowment Rider® is referred to in your Contract as the Enhanced Death Benefit Rider. The Family Endowment Rider® can help protect your interest against market volatility and potentially increase the overall value of the annuity for your Beneficiaries.

The Family Endowment Rider® guarantees an Enhanced Death Benefit for your Contract. If you purchase the Rider, the Death Benefit paid to your Beneficiary(ies) will be the higher of the Contract’s Death Benefit or the Enhanced Death Benefit amount. The Rider benefit amount shall be equal to your premium accumulated at an effective annual interest rate of 3 percent until the maximum age or the date the Contract is terminated, whichever occurs first. There is also a 4% Family Endowment Rider for BAA 8 policies and a 5% Family Endowment Rider for BAA 12 policies that do not include the Balanced Allocation Income Advantage™. After the maximum age, the Rider benefit will not continue to grow, but will remain a benefit of your Contract. There is a charge for this Rider. The Family Endowment Rider® is not available in all states. See the Family Endowment Rider® Insert for details.

Leave a Legacy for Your Loved Ones

This example is hypothetical and assumes Contract issued prior to age 55 and that no Withdrawals were taken during the time period indicated. This example is intended to show how the Death Benefit operates. These values are not intended to be a projection or prediction of current or future performance.

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6 The Family Endowment Rider® is not life insurance and any benefit payable under the Rider will be taxable. Once the Rider has been issued, the Owner may not elect to terminate the Rider for any reason. This Rider is not available in all states.
Income Advantage

The patented Balanced Allocation Income Advantage™ is an Optional Lifetime Income rider available on Balanced Allocation Annuities™ for an additional charge. It is designed for those retiring who may need income now and for those planning retirement who might need income later, and those who are concerned about the impact that longevity and market volatility might have on their retirement income.

The Balanced Allocation Income Advantage™ rider provides the security of a minimum Guaranteed Income Base. This benefit ensures your foundation for future income security by guaranteeing that your Income Base will accumulate at 7% each year regardless of market conditions during the Accumulation Period. The accumulation stops at the earlier of 18 years (assuming you elect the 8-year extension) or when Lifetime Income Withdrawals begin. Therefore, if you do not elect Rider Withdrawals and keep the Contract in effect for 18 years and elect the 8-year extension, your Income Base will grow to over 300% of the Income Base.

The Income Base is not the same as the Accumulation Value of the base annuity Contract, and it is never available for lump sum withdrawal; it is only used for calculating lifetime income withdrawal amounts available under Rider provisions. Lifetime Income Withdrawals stop the guaranteed accumulation in the Income Base.

Lifetime Income Withdrawals begin when you decide. Once started, the Lifetime Income Withdrawal amount is guaranteed for your lifetime and, if you choose, also for your spouse’s lifetime. You can also stop and restart the Lifetime Income Withdrawals if your life circumstances change. See Income Advantage brochure for full details.

Balanced Allocation Income Advantage™

* For example, if you started with a $250,000 initial premium and you begin Lifetime Income Withdrawals after Year 10 at age 60, you would draw 4.5% of your Income Base or up to $22,130 annually for life, even if the Accumulation Value of the base contract drops to zero. Assumes no prior Withdrawals.

7 U.S. Patent #7,590,581 and patent pending.
8 See Balanced Allocation Income Advantage™ Disclosure Summary for full details. The guaranteed growth on the Income Base ceases when Withdrawals are initiated under the Rider provisions.
You’ve followed your own path...

With Aviva, you are in control of your future.

We never forget our business is you.
We are honored that you’ve put your trust in Aviva. We won’t let you down.

As you read this, thousands of Aviva associates are focused on our three-letter mission statement:

You.

We’re making business and investment decisions that will ensure we can meet our obligations to you and your loved ones.

We’re developing new ways to provide better service to you.
We’re challenging ourselves to reinvent the way we look at life insurance and annuities, so we can continue to meet the financial needs of a changing world – your world.

Most of all, we’re drawing on the experience we’ve gathered from our more than 300-year legacy. As the oldest continuously operating insurance group in the world, Aviva has endured and thrived through centuries of war and peace, booms and recessions and constant change. The highs and lows have taught us to be prepared so you can count on us, especially during times of uncertainty.

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