

## Changes to variable annuities: first quarter 2011

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During the first quarter of 2011, variable annuity (VA) providers continued to roll out new annuity products and living benefits, as well as make changes to features and pricing of existing products. Allianz and Sun Life rolled out their fee-based annuities while Hancock, Pacific Life and Prudential introduced new guaranteed lifetime withdrawal benefits.

Many companies have filed their 1 May updates, some multiple times. Filings include: Hartford's new VA with two new guaranteed lifetime withdrawal benefits (GLWBs) and a new GMAB; Principal's new VA with a new GLWB; Protective's new GLWB; Prudential's R Series of its Prudential Premier Retirement VA; Sunamerica's two new VAs; and VALIC's new VA. Other companies filed changes for later than 1 May: Lincoln National, John Hancock and Ohio National.

Guaranteed living benefits (GLB) continue to become a more essential part of variable annuities. According to LIMRA, fourth quarter VA sales with GLB elected generated US\$23.1 billion, 79% of new VA sales. For the year, VA sales with GLB elected totaled US\$81.1 billion, 8% higher than 2009. Assets of VAs with guaranteed living benefit riders rose 78%, from US\$292 billion in the fourth quarter of 2008 to US\$521 billion in the fourth quarter of 2010. Assets for VAs with these riders have grown from 25% to 33% of total VA assets in just two years. More importantly, persistency for contracts with living benefits is better than those without these riders, resulting in more than double the 36% growth rate of total VA assets.

This newsletter summarizes some key activity that occurred in the VA market during the first quarter of 2011. We hope you find our market snapshot valuable. If you have any questions, please feel free to contact me.

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## New variable annuity and living benefit introductions: first quarter 2011

Company and name	Type	Description	Current charge
<b>Allianz</b> Retirement Pro  Income Advantage	VA  GLWB	Fee-based variable annuity. The contract offers a base account and an income advantage account. The contract owner can elect to invest in either or both accounts. The base account offers standard annuity features while the income advantage account is a protected account, with fewer investment options, and can be used for guaranteed lifetime withdrawals (called Income Advantage Payments) and a guaranteed death benefit.  Lifetime withdrawal percentages vary by the current 10-year U.S. Constant Maturity Treasury rate: ▶ 3.49% and below: 4.0% ▶ 3.50% to 4.99%: 5.0% ▶ 5.00% to 6.49%: 6.0% ▶ 6.50% and above: 7.0%  Quarterly step-up Investment restrictions exist.	▶ M&E charge of 0.30%  ▶ 1.00% of the benefit base ▶ Maximum charge of 1.75%
<b>John Hancock</b> Income Plus for Life 1.11	GLWB	Lifetime withdrawal percentages vary by age: ▶ 55-63: 4.0% ▶ 64+: 5.0%  Annual step-up  Currently, the bonus rate is 5% and the number of years is 10. Hancock expects the credit periods to be between 5 and 15 contract years and does not expect the credit rates to be less than 3% or more than 7%. But it provides no assurance that it will continue to offer the rider within these ranges. Once the rider is purchased, the credit rate and the credit period remain in effect for as long as the rider remains in effect.  Investment restrictions exist.	▶ 1.00% of the adjusted benefit base ▶ Maximum charge of 1.20%

Company and name	Type	Description	Current charge
<b>Integrity</b> VAROOM  Guaranteed Lifetime Withdrawal Benefit	VA  GLWB	VAROOM must be issued as an IRA, Roth IRA or SEP IRA. The product has a five-year surrender charge, an M&E charge of 1.00% and an administration charge of 0.75%.  Lifetime withdrawal percentages vary by age: ▶ 60-64: 4.0% ▶ 65-69: 4.5% ▶ 70-74: 5.0% ▶ 75+: 5.50%  Annual step-up  The bonus is a cumulative deferral percentage that begins at zero and increases by 0.10% for each complete calendar year that a withdrawal is not taken. The first-year deferral bonus is prorated by quarter based on the contract date. Investment restrictions exist.	▶ M&E charge: 1.00%  ▶ 0.60% for basic allocation and 0.80% for self-style allocation ▶ Maximum charge of 2.35%
<b>Pacific Life</b> CoreIncome Advantage 5 Plus	GLWB	5% withdrawals of the protected payment base per year beginning at age 59.5.  Annual step-up Investment restrictions exist.	▶ 0.60% of the GLWB base ▶ Maximum charge 1.50%
<b>Prudential Insurance</b> Highest Daily Lifetime Income  Highest Daily Lifetime Income with Lifetime Income-Accelerator rider	GLWB  GLWB with LTC	Lifetime withdrawal percentages vary by age: ▶ 45-54: 3%; ▶ 55-59.5: 4% ▶ 59.6-84: 5% ▶ 85+: 6%  Daily step-up  A 5% bonus is credited during the first 10 years if no withdrawals are taken. Pru periodically transfers the unadjusted account value to and from the Advanced Series Trust (AST) investment-grade bond based on Pru's predetermined mathematical formula.  Guarantees, until the death of the single designated life, the ability to withdraw an amount equal to double the annual income amount if the contract owner meets certain conditions. With the lifetime income-accelerator option, a waiting period of three years following the initial benefit election applies before accelerated income can begin. Additionally, a 120-day elimination period applies; the waiting period and elimination period may run concurrently. May elect a one-time non-lifetime withdrawal; however, it cannot be more than the amount that would cause the annuity to be taken below the minimum surrender value. This optional feature can only be elected at the time of the first withdrawal. The periodic value will continue to be calculated. However, the total amount of the withdrawal will proportionally reduce all guarantees associated with this benefit.	▶ 0.60% of the GLWB base ▶ Maximum charge 1.50%  ▶ 1.30% of the GLWB base ▶ Maximum charge 2.00%

Company and name	Type	Description	Current charge
<b>Sun Life</b> Masters I Share	VA	Masters I Share is a fee-based variable annuity. The M&E charge is 0.50%. If premium payments or account value exceeds US\$1 million on the account anniversary, an amount equal to 0.15% of the account value will be credited to the account on that date and on every subsequent account anniversary during the accumulation phase.  The asset-based admin charge is 0.15%.	▶ The M&E charge is 0.50%
Sun Income Advisor	GLWB	Lifetime withdrawal percentages vary by age: ▶ 59-64: 4% ▶ 65-79: 5% ▶ 80+: 6% Annual step-up A 7% bonus is available during first 10 contract years if no withdrawals are taken. The bonus period will renew at step-up. Investment restrictions exist.	▶ 0.90% of the withdrawal benefit base ▶ Maximum charge: 1.75% of the highest withdrawal benefit base
<b>Transamerica</b> Retirement Income Max	GLWB	Lifetime withdrawal percentages vary by age: ▶ 59-64: 4.5% ▶ 65-74: 5.5% ▶ 75+: 6.5%  Annual step-up based on the highest monthiversary value.  Five percent annual bonus during the first 10 years if no withdrawals are taken. Bonus period renews at step-up. Investment restrictions exist.	▶ 1.00% of the benefit base ▶ Maximum charge 1.75%

## Changes to variable annuities and living benefits: first quarter 2011

Company and name	Type	Change
<b>MetLife Investors/MetLife</b> GMIB Plus III	GMIB	The GMIB annuity table specified in the contract will be calculated based on the Annuity 2000 Mortality Table with 10 years of mortality improvement based on projection Scale AA and a 10-year age setback with interest of 1.0% (previously 1.5%) per annum.
<b>Midland National Life Insurance Company</b> National Advantage Variable Annuity	VA	Reduced the maximum number of investment options that a policy owner can invest in at any one time from 50 to 29. Midland National is also reducing the guaranteed minimum interest rate on the fixed account from 3% to 1%.
<b>Nationwide</b> 10% Lifetime Income Option	GMWB	The charge will increase from 1.00% to 1.20% of the current income base for single life and from 1.20% to 1.50% for joint life.

## Variable annuity and living benefit closures: first quarter 2011

Company and name	Type
<b>John Hancock</b> Income Plus for Life 5.09	GLWB
<b>Prudential</b> Highest Daily Lifetime 6 Plus Highest Daily Lifetime 6 Plus with Lifetime Income- Accelerator	GLWB GLWB

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