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## **AIG, AllianceBernstein offer index annuity with income rider**

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By Editorial Staff    Thu, Jan 23, 2020

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Is it possible to offer investors a momentum strategy with attractive growth opportunities while diversifying away volatility and indemnifying purchasers against loss of principal and nursing home risks? And without the end-client actually owning any investments?

Consider AIG's announcement this week that AllianceBernstein's new "AB All Market Index" will be offered exclusively as an indexing choice in AIG's Power Select Index Annuities. Alliance Bernstein created the multi-asset index for AIG; Market Synergy Group (MSG) will be the primary distributor.

According to a press release this week, the "AB All Market Index seeks to stabilize returns through a systematic allocation process based on risk and momentum. First, a strategic allocation is constructed, balancing risk equally among the Index's growth and defensive assets worldwide.

"The Index then uses a proprietary momentum strategy to dynamically adjust exposures, overweighting assets that are trending up and underweighting those with poor performance. The Index's unique approach blends three different momentum signals to better capture the movement of assets," release said.

"By using asset classes not commonly found in most index strategies, such as currency-hedged global bonds, plus a dynamic allocation across ten U.S. equity sectors, this new index has the potential to generate solid risk-adjusted performance," said Bryan Pinsky, AIG's senior vice president of Individual Retirement Pricing and Product Development, in the release.

This description suggests that the index will contain equal weightings of growth and defensive assets—equities on the one hand and non-correlated bonds or alternatives on the other—but will also pursue a momentum strategy by buying what's getting more expensive and selling what's getting cheaper.

The momentum strategy echoes Constant Proportion Portfolio Insurance, which protects the issuer. This asset management technique involves selling risky assets as they drop in price

and simultaneously adding enough safe assets so that the product's account value will never be lower than the guaranteed amount. As additional protection, there's the standard non-forfeiture guarantee of a fixed annuity.

In an indexed annuity, owner of the annuity doesn't buy any investments directly. His or her premium goes into the issuer's general account. The issuer buys a bracket of options on the performance of an equity benchmark—usually the S&P500 Index. The performance of the options over a specific period—usually one year—determines the client's gains. The gains are capped at a certain level and no principal is ever at risk.

In addition to the AB All Market Index, AIG added a new enhanced income benefit to the Power Select Plus Income Index Annuity. Under the terms of this "confinement rider," consumers can receive up to double their maximum annual withdrawal amount if confined to a nursing home or other qualified facility for 90 days or more.

The new confinement rider is bundled with all guaranteed living benefit riders for no additional fee and can last for five years or until the depletion of the contract value, if sooner. The enhanced income has no negative impact on the riders' benefits; however, other restrictions and limitations apply.

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