
AIG and nine IMOs launch income-oriented FIA

By Editorial Staff *Fri, Apr 25, 2014*

The "Power Select Plus Income" fixed indexed annuity's income rider allows contract owners to receive roll-up credits even if they take withdrawals during the deferral period. The initiative is led by Lance Sparks (left), president of Market Synergy Group and former senior vice president at Aviva USA.

In a deal announced this week, American General Life, part of American International Group (AIG), will issue a new fixed index annuity (FIA) with a lifetime income rider, to be distributed by Market Synergy Group, which represents nine IMOs (independent marketing organizations) that claim to broker over \$8 billion in annual FIA sales.

The president of Topeka, Kansas-based Market Synergy Group is Lance Sparks, a former senior vice president of annuity marketing at Aviva USA. Aviva USA became Athene Annuity & Life Assurance (Athene Annuity) following its acquisition in 2013 by Athene Holding Ltd., a unit of Apollo Global Management.

In a phone interview, Sparks, who is 43, said he and other former Aviva USA executives who left after the Athene acquisition started Market Synergy Group with equity investments from nine large IMOs that had been selling Aviva USA annuities. Mark Heitz, a former Aviva USA executive, came out of retirement to join Sparks at Market Synergy Group.

Market Synergy Group was created negotiate distribution deals between carriers and these IMOs: CreativeOne, Brokers International, Financial Independence Group, DMI Inc., M&O Marketing, InsurMark, Insurance Agency Marketing Services, Magellan Financial and Kestler Financial Group.

The contract to be issued by AIG is the Power Select Plus Income Index Annuity. The product has a 10-year surrender period, a \$25,000 minimum premium and uses the S&P 500 as its linked equity index. Sparks conceded that the crediting methods are "vanilla," but said the product's value is intentionally concentrated in the living benefit: Specifically, in the flexibility of the deferral bonus or "roll-up" of the income benefit base, which is automatically included for an annual fee of 1.1%.

During the first ten years of the contract, contract owners can earn a full 7.5% roll-up in every year when they don't take a withdrawal, and they can earn a partial bonus equal to the difference between the full roll-up percentage and the percentage of the income base that they withdraw, if positive. Liquidity during the deferral period and benefit bonuses aren't mutually exclusive. There's also a premium bonus of up to 7%, Sparks said.

No deferral bonus is credited if the withdrawal is larger than permitted under the contract. The benefit base is automatically double the premium if no withdrawals are taken before the tenth contract anniversary.

The AIG product is positioned more as a substitute for an income annuity than for a bond. FIAs are "definitely an income play right now," Sparks said. "We're focusing on providing people with a piece of

guaranteed income.”

“Once we had an A-rated carrier, we wanted to focus on the best income payouts,” Sparks said. “In other products you cease to get the roll-up after a withdrawal. We went to what we call a ‘keep the difference’ feature.” He declined to name the actuarial firm that helped design the product.

The product has three crediting options: an annual point-to-point index interest account, a monthly point-to-point additive index interest account, and a monthly average index interest account, with a spread.

The age-bands and percentages for guaranteed lifetime withdrawals for single persons is 4.25% for ages 60 to 64, 5.25% for ages 65 to 69, 5.75% for ages 70-74, 6.25% for ages 75-79 and 6.5% for ages 80+. For couples, the payout is 50 basis points lower in each age band.

As for the wisdom of partnering with AIG, a company whose reputation was more than sullied during the financial crisis and subsequent government bailouts, Sparks described AIG’s redemption story as an asset rather than a liability.

“It’s a classic comeback of an American company,” he said. “AIG signified the Great Recession, but the people who stayed have accomplished a big turnaround. AIG is a huge player, and it wants to make a significant entrée into the index annuity industry.”

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