

AIG brings FIA (with income rider) to market in New York

By Editorial Staff Thu, Oct 22, 2020

AIG annuity product developers had to comply with New York requirements: No explicit fee for the income rider and no notional 'benefit base' for use in calculating annual payouts, which are 5.15% at age 65. The payout rate goes up 0.15% for every year income is deferred after purchase.

AIG Life & Retirement, a unit of American International Group, Inc., has launched the Power Index Premier NY Index Annuity with Lifetime Income Builder, a fixed index annuity (FIA) with an income rider developed exclusively for the state of New York. It is the first FIA with a guaranteed lifetime payout to be marketed in New York.

"There are two main differences in a product for New York. For the living benefit, you can't charge an explicit fee, and the income must be based on the account value and not on a secondary 'benefit base,'" said Bryan Pinsky, senior vice president of Individual Retirement Pricing and Product Development at AIG, in an interview.

"We now have a full suite of annuities in New York," he added. "We have a fixed annuity for the conservative investor, the fixed indexed annuity, and, for more aggressive investors, the variable annuity. We're still the only company with a fixed-rate annuity with a living benefit in New York."

Payouts are age-based, but contract owners can increase their payout percentages by delaying income. For instance, a 65-year-old policyholder can receive a 5.15% payout. That percentage rises by 0.15% for every year that income is delayed. Someone who is 65 at purchase would receive a payout rate of 5.9% if he or she delayed income for five years. In addition, the account value can't go down and grows by at least 1% every year.

Like other fixed annuities, Power Index Premier NY offers tax deferral, protection of principal against losses in down markets, and crediting methods linked to equity market indexes. The AIG annuity offers exposure to the performance of three equity indices—the S&P 500, Russell 2000 and MSCI EAFE.

As of October 13, 2020, the cap rates on offer for purchase premiums of \$100,000 or more in contracts with no living benefit rider are 4%, 3.75% and 3.75% for the S&P 500 Index, Russell 2000 Index and MSCI EAFE Index, respectively. For contracts starting with less than \$100,000, the caps are 0.75 percentage points lower. The crediting method is annual point-to-point, with gains locked in at every anniversary of the contract. For rate sheet, click

[here](#).

Adding an income benefit carries no explicit fee, but its cost appears in the form of a lower cap on gains. The cap on gains on the S&P 500 Index is 3% (2.50% for premiums under \$100,000). For both the MSCI EAFE Index and the Russell 2000 Index, the cap on annual gains is 2.75% (2.25% for premiums under \$100,000).

Like all FIAs, Power Index Premier NY does not directly invest client premium in indices. Instead, it uses a portion of the earnings of its general fund to buy options on the performance of an equity index. There is no market risk to principal, and contract value will not decline due to market fluctuations.

Power Index Premier NY is part of AIG's Power Series of Index Annuities, which are issued by the United States Life Insurance Company in the City of New York (US Life), a subsidiary of AIG. Guarantees are backed by the claim-paying ability of US Life.

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