AIG, Innovator, and Reliance Standard announce new products

By Editorial Staff *Fri, Mar 11, 2022*

AIG and Annexus co-launched X5 Accelerator, a fixed indexed annuity (FIA) with a lifetime income option; Innovator added 'Buffer Step-Up' strategies to its lineup of Managed Outcome ETFs, and Reliance Standard issued Accumulator, a new FIA.

New AIG/Annexus indexed annuity offers gaudy bonuses for those who stay the course

AIG Life & Retirement and Annexus, a designer and marketer of indexed annuities, have partnered to issue and distribute a new fixed indexed annuity (FIA), the “X5 Accelerator Annuity.” The contracts will be issued by American General Life Insurance Company and marketed through the Annexus network of independent distributors.

The product features a bonus that immediately increases the benefit base (the notional amount on which retirement income payments would be based) to 135% of the initial premium. There’s also a “multiplier” that can “increase lifetime income by 250% of net interest earned every year during the accumulation phase,” an AIG release said.

The lifetime income rider is available for a fee of 1% of the benefit base. That fee includes the potential for an enhanced death benefit and a disability benefit that doubles the annual payout, contingent on the policyholder becoming confined to a nursing home or other qualified facility. The minimum initial premium is $25,000. The contract runs for 10 years; the surrender fee starts at 10% in the first year.

In the brochure’s hypothetical illustration, a client invests $100,000 at age 60. By age 70, the hypothetical premium has grown to $171,000 (at an assumed annual compound rate of about 5.5%) and the income base has grown to about $480,000. At age 70, the payout percentage would be 4.85% a year for one life and 4.35% a year for a joint and survivor contract. The starting annual income for one person would be $23,280. Money would stay invested after income begins, and the income level can rise after income begins. On the $480,000 income base in the illustration, the rider fee at age 70 would be $4,800.

The product’s market performance depends mainly on how the premium is allocated among the available indices, and how the indices perform. The index choices include the Morgan Stanley Expanded Horizons Index, the PIMCO Global Elite Markets Index, and the S&P 500 Daily Risk Control 7% US Excess Return Index. All three are “Excess Return indexes,” which means their returns are net of short-term interest rates.

Innovator ‘Step-Up’ ETFs may adapt to rising markets

Innovator Capital Management, LLC (Innovator) the creator of Defined Outcome ETFs, this week launched the Innovator Buffer Step-Up Strategy ETF (BSTP) and the Innovator Power Buffer Step-Up Strategy ETF (PSTP) on **NYSE Arca**.

The new “Step-Up” Strategy ETFs will seek tax-efficient upside in “directionally positive markets while continuously refreshing buffers against loss in the SPDR S&P 500 ETF Trust (SPY) during down markets,” Innovator said in a release.

Using a rules-based methodology, a Step-Up Strategy ETF will reset its options portfolio; it will sell the existing contracts and enter into new 12-month contracts if the Fund’s NAV rises or falls within a pre-determined range.

The planned ETFs are intended for advisors who would like professional management of the process of evaluating return parameters and investing in buffered equity strategies.

“As we completed monthly issuance on our flagship US Equity Buffer ETF lineup in May 2020, ‘stepping-up’—selling one Buffer ETF for another monthly series—became a popular strategy amongst some advisors who used the Defined Outcome ETFs in non-taxable retirement accounts,” said Bruce Bond, CEO of Innovators ETFs, in a release.

“These new funds in our Managed Outcome ETF lineup will seek to provide advisors with tax-efficient strategies that manage the process of ‘trading up’ from the set of return parameters of one monthly series of US Equity Buffer ETF to the current month’s opportunity set, depending on market movements and conditions,” he said.

The Step-Up Strategy ETFs will consist of three layers of customized 12-month FLEX Options contracts that seek upside participation to SPY, to a cap, with downside buffers against SPY losses of 9% (in the BSTP) or 15% (in the Power version). It is similar to Innovator’s flagship US Equity Buffer and US Equity Power Buffer ETFs.

The Step-Up Strategy ETFs are designed to continuously seek market gains in positive markets, or provide potential outperformance relative to SPY in down markets, while refreshing buffers against the market’s downside and resetting the Funds’ upside caps to capture more of the market’s potential upside. The ETF’s step-up investment strategies may offset the timing risks inherent in owning an options package for one year.

Investors can purchase shares of a previously listed Defined Outcome ETF throughout the entire Outcome Period, obtaining a current set of defined outcome parameters, which are disclosed daily through a web **tool**.

Reliance Standard launches Accumulator, a new FIA

Reliance Standard Life Insurance Company has introduced the Reliance Accumulator, a fixed indexed annuity product. It joins Reliance Standard's legacy Keystone Index annuity, which will continue to remain available, a Reliance release said.

The Reliance Accumulator offers five-, seven- and ten-year durations, a fixed interest strategy and five index interest strategies based on two specific indices from Standard and Poor's. Similar to the Keystone, the product will offer three index interest strategies tied to the S&P 500:

- Annual Point to Point Capped
- Annual Point to Point Participation Rate
- Annual Monthly Average Capped

The Accumulator will also offer two index strategies tied to the S&P MARC (Multi-Asset Risk Control) 5% Excess Return index: an Annual Point to Point Participation Rate and an Annual Point to Point Spread Strategy.

"The increase in S&P 500 index volatility over the last few years has been challenging for many of our clients and partners," said David Whitehead, senior vice president of sales and marketing for Reliance Standard's Retirement Services business, in the release. "So we added a volatility control index to our menu of index interest strategies."

The S&P MARC 5% ER Index uses a volatility control strategy to ensure more predictable hedge costs and offers diversification through exposure to equities, gold, and 10-year Treasury bonds.

In addition to offering a participation rate index interest strategy, Reliance Standard will offer a higher participation rate strategy with a spread that will then be deducted to calculate the index interest amount. Because the index manages volatility to 5% daily, Reliance Standard said it will rate-lock the MARC 5% participation rate and spread strategies for exchanges and transfers.