
AIG launches New York's first fixed annuity with GLWB

By Editorial Staff *Thu, Nov 30, 2017*

To satisfy New York regulators, AIG had to design the product's guaranteed lifetime withdrawal benefit rider somewhat differently from versions offered in other states.

New Yorkers can now buy a fixed deferred annuity with a living benefit rider, but the rider will differ in an important way from versions of the product that are sold in most other states.

American International Group, Inc. (AIG) announced this week that one of its subsidiaries, The United States Life Insurance Company in the City of New York, has issued what it described as “the first fixed annuity with a guaranteed lifetime income benefit in New York State.

The product, “Assured Edge Income Builder-NY,” was issued in other states in 2016, AIG said in a release. New York Life’s Clear Income fixed deferred annuity with a guaranteed lifetime withdrawal benefit (GLWB) is not offered in New York State, California, Delaware or Guam.

American General Life, also a unit of AIG, sells a version of the Assured Edge product. That version also has a GLWB priced at 0.95% per year. But where the non-New York product offers a 7.5% increase in the benefit base for every year withdrawals are delayed, the New York version offers a quarter of a percentage point (0.25%) increase in the withdrawal percentage.

“We modified the design to comply with the NY requirements, which meant that we needed to have the guaranteed income amount be tied to the account value upon first lifetime withdrawal rather than tied to the annuity premium,” an AIG spokesperson told RIJ.

“We therefore constructed the income levels and the annual income increases (0.25% as mentioned) to be as equivalent as possible with our non-NY feature, subject to also accounting for other differences in the NY product.”

All deferred annuities offer owners the right to convert the contract value to a lifetime income stream—a largely irrevocable process known as annuitization. When a GLWB rider is attached to a deferred annuity, the owners have a combination of liquidity and guaranteed income that will last until he/she/they die. GLWBs can be found on variable, indexed and fixed annuities.

The guaranteed lifetime withdrawal benefit is automatically included in the contract issue with no annual rider fee. Assured Edge Income Builder-NY is available only in New York. A suite of annuity products is available in all other states issued by American General Life Insurance Company (AGL).