
Allianz Life Launches an "Indexed Variable Annuity"

By Editorial Staff Thu, Sep 19, 2013

The product, Index Advantage, includes variable annuity subaccounts, plus a low-risk index crediting method that returns 4% (annually adjusted) whenever the index is flat or positive, plus a structured multi-index option that offers double-digit caps if the client accepts losses beyond a 10% downside buffer.

Calling it a "new breed of variable annuity," Allianz Life Insurance Company of North America (Allianz Life) has launched a fixed indexed annuity/variable annuity hybrid that claims to offer more upside potential than a traditional FIA and more downside protection than a traditional VA.

The product is called Allianz Index Advantage, and is described as an Indexed Variable Annuity (IVA). It lets contract owners choose between two strategies, Index Performance and Index Protection. Investors can divide their premium between the two strategies in any proportion. Transfers between the two are allowed on any contract anniversary.

The Index Performance strategy is a fixed indexed annuity, but with higher caps on the interest crediting rate than a traditional FIA can offer. The trade-off is that Allianz absorbs only the first 10% loss in the contract value instead of guaranteeing no losses, as a traditional FIA would.

The three index options are S&P 500 Index, NASDAQ 100 Index and the Russell 2000 Index. The initial caps are 13%, 11% and 14%, respectively. Caps for new business change monthly, and the caps for in-force business can be re-set on any contract anniversary, but can't go below 1.5%. There's an annual product fee of 1.25%.

The Index Protection strategy is more conservative. The only index option is the S&P500. If the index return is flat or positive at the Index Anniversary (the anniversary of the day the money was first assigned to the index option), the client receives the amount of potential annual interest that may be credited during that year (the Declared Protection Strategy Credit). The amount of the credit is currently 4%. It is subject to change annually on the Index Anniversary and will never be less than 1.50%.

When the index return is negative, nothing is credited, and the contract value is reduced by the annual product fee of 1.25%. It's calculated as a percentage of the charge base, which is the contract value on the preceding quarterly contract anniversary (adjusted for subsequent purchase payments and withdrawals).

As an alternative to index crediting, contract owners can invest in Allianz Life mutual funds. Variable options include the AZL Money Market Fund, AZL MVP Balanced Index Strategy Fund and AZL MVP Growth Strategy Fund. Transfers to the variable options are allowed every sixth Index Anniversary.