At Lincoln Financial, the dawn of a brand new DIA

By Editor Test   *Thu, Sep 5, 2013*

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Annuitant	Deferral Period	Life Only	Life with 10 years Period Certain	Life with Cash Refund
Male – 50 years old	15 years	$14,575	$13,334	$13,481
Male – 50 years old	20 years	$21,709	$18,879	$19,645
Male – 55 years old	10 years	$11,629	$10,674	$10,659
Male – 60 years old	5 years	$9,162	$8,571	$8,386
Male – 60 years old	10 years	$13,710	$11,895	$12,019

With the addition this week of Lincoln Deferred Income Solutions to its broad product palette, Lincoln Financial Group became the latest big insurer to offer a deferred income annuity, or DIA. DIAs, which allow Americans to pay today for income that starts sometime in the future, are the newest and fastest-growing segment of the annuity business.

In the first half of 2013, DIA sales increased 151% from the same period in 2012, with estimated sales of $940 million, up from $370 million in 2012. The leader of the category is New York Life, which recently reported that it had a 46% market share in the first quarter of 2013.

So far, mutual insurers with captive agent forces have dominated the DIA space, so it may be significant that Lincoln, a publicly-held company with a big third-party distribution network has jumped on the DIA bandwagon. Lincoln was second only to Jackson National in total annuity sales in the first half of 2013, with combined fixed and variable sales of $8.3 billion.

DIA sales are currently rare in the independent channel. Less than one percent of DIA sales have come through independent sales channels, according to Jeremy Alexander, CEO of Beacon Research, and only 2.5% of all independent channel sales of income annuities are represented by DIAs. "There's huge potential," he said.

DIA sales may be helped by rising yields, Alexander added, but he doesn't think yield is driving the DIA market. Rather, it's demand coming from retiring baby boomers who want to buy a personal pension.

"Our other fixed deferred annuities are interest rate sensitive, especially in the bank channel. But this isn't about price sensitivity. It's really about need. We just keep seeing more sales. With such a new market, it's hard to tell."

The Lincoln product can be purchased with a single premium of either qualified or non-qualified money. Income from qualified contracts must be taken by age 70 ½. Aside from those restrictions, the contract is designed for flexibility, according to Brian Wilson, assistant vice president, fixed annuity solutions, at Lincoln, which is headquartered in Radnor, Pa.

During the deferral period, policyholders have a one-time option to move their income start date forward or backward by as much as five years. During the income period, they can take out as much as six months' income in a lump sum on up to three separate occasions. An inflation-adjustment of up to 4% per year can be added. Payouts can be single or joint, life and/or period certain, with cash refund or installment refund.

The DIA is intended to round out Lincoln's offering, which includes fixed, indexed, immediate and variable annuities, without cannibalizing other sales. "This is one element in our overall product portfolio," Wilson told *RIJ*. "It's not positioned against other products."

No two DIA customers are alike, he said. "We heard feedback from one consumer who said, I don't need a legacy, I'm not looking for return of premium, I just want as much income as possible. Others have said, 'I've got to access to my money.'"

As for Lincoln's decision to get into the DIA space, that wasn't hard—at least, not after DIA sales started to take off in 2012. "The market speaks for itself," Wilson said. "Quarterly sales were $160 million, then $395 million, then $535 million. A lot of it has to do with recent economic events. Americans lack confidence about retirement."

Lincoln DIA prices will be listed on the Cannex website for advisors who want quotes, he said. Advisors can also access illustrations directly from Lincoln through the company's advisor web portal. Lincoln provided RIJ with the following sample rates, based on a $100,000 premium:

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Source: Lincoln Financial Group, September 5, 2013.