Athene offers ‘Amplify,’ its first structured index annuity

By Kerry Pechter *Thu, Jul 18, 2019*

The contract's current caps on one-year credited interest range from 15.25% to 17% (for the buffer option) and from 13.5% to 15.5% (for the floor option), depending on the index chosen.

The latest entry into the fast-growing, highly concentrated, $12.3 billion-a-year structured index annuity market is “Amplify,” a new registered index-linked annuity contract (RILA, as structured index annuity are now called) from Athene. Amplify is the first RILA from Athene, which is the second-biggest seller of fixed index annuities (FIAs) after Allianz Life.

The commission-based insurance contract features terms (“segments”) of one year, two years, and six years. For downside protection, it offers either a 10% “floor,” where the owner absorbs the first 10% in index decline, or a 10% “buffer,” where the owner absorbs the net index decline beyond 10%, over each of those terms.

Amplify’s yields are linked to the performance of three popular index options (S&P500, Russell 2000 and MSCI-EAFE), or to a blend of those three. No hybrid (stock/bond) or exotic volatility-managed indices, which allow a narrower range of gain or loss than traditional all-equity indexes, are offered so far.

Amplify’s current caps on one-year credited interest range from 15.25% to 17% (for the buffer option) and from 13.5% to 15.5% (for the floor option), depending on the index chosen. In each case, the participation rate (the investor’s share of the gain up to the cap) is 100%. That’s more than double the upside potential offered by the typical FIA.

Two-year caps for the floor option range from 23% to 29%, depending on the index chosen. Caps do not apply to the two-year buffer option, which includes a participation rate of 115% on both the two-year MSCI EAFE index option and the six-year blended index option. All other participation rates are 100%.

For up-to-date rates, click **here**.

The annual expense ratio is 95 basis points (0.95%). Athene said it chose to make the expense ratio explicit rather than factoring it into its crediting rates. Implicit expenses would have reduced the crediting rates, and the products in this category compete largely by having the highest potential returns.

Athene said the same motivation drove its decision to offer the same 10% floor or buffer over the one-year, two-year, and six-year segments, even though a client's downside risk exposure changes as the segments grow longer.

The RILA category—at least one broker-dealer executive strongly objects to the use of this opaque acronym—is aimed mainly at advisors of investors who want a tax-deferred accumulation vehicle with more upside potential than an FIA but more downside protection than a variable annuity.

Though RILAs are technically annuities (offered only by life insurers and convertible to a lifetime income), investors aren't using them as such. RILAs rarely offer a guaranteed lifetime income rider; the expense of such a rider would add about another 1% of drag to the performance of RILAs and make them less competitive.

Asked if its new RILA might "cannibalize" Athene's FIA sales, an Athene spokesperson said, "We feel that the products are complementary rather than overlapping. When you look at the sales trends, the momentum in RILAs isn't happening at the expense of FIAs. The RILA might appeal to people with different risk appetites, or who are at different times in their lifecycle. It's part of a continuum of products."

Because this product is both commission-based and registered with the Securities and Exchange Commission, it will be distributed through the independent broker-dealer channel, which the SEC regulates through FINRA. Athene will also distribute the product through banks.

Insurance agents without securities licenses or broker-dealer affiliations (who traditionally sell the most FIAs) can't sell it. Representatives of registered investment advisors (RIAs) who don't take commissions (and charge asset-based fees) won't be able to sell it either.

Different RILA issuers dominate in different distribution channels. AXA is the top-seller in the independent broker-dealer channel, where two-thirds of all RILA sales take place. It also sells its product through the 5,000 or so members of its career sales force, AXA Advisors. Its products are also sold in the bank channel and in the independent broker-dealer channel.

Overall the top five issuers of RILAs—AXA, Brighthouse, Allianz Life, Lincoln Financial, and CUNA Mutual—accounted for all but a smattering of sales in the first quarter of 2019, according to Wink's Sales and Market Report.

Brighthouse's Life Shield Level Select 6-Year product was the top-selling RILA overall in the first quarter of this year, and the top-seller in both the bank and independent broker-dealer channel. In the wirehouse channel, it had two of the three top-selling products—the Level Select 6-Year and the Level 10 contract.