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## "Carriers Settle In"

By Kevin Loffredi    *Wed, Nov 23, 2011*

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*Variable annuity product development slowed in Q3 2011, according to the quarterly report from a vice president in Morningstar's Insurance Solutions group.*

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Coming off a highly active second quarter, insurers appear to have made their adjustments and shifted focus away from development to distribution, Morningstar's latest variable annuity [report](#) shows.

Carriers made 40 material new filings during the quarter, down from 162 in Q2 and 106 in the same quarter last year. The new filings focus heavily on new share classes and the Lifetime GMWB benefit, which currently garners about 64% of new sales flows.

Carriers continue to experiment with new benefit design. Benefit structures continue to be parsed to allow for risk control and segmentation of the target investor base. Also continuing is the trend toward releasing share classes for the fee-based market. Step ups also took a leap forward this quarter with higher fixed percentages.

### **Lincoln Financial**

Lincoln released a new I-share contract. Priced at 65 bps, it has a Lifetime GMWB and two death benefit options: highest anniversary value and return of premium (Investment Solutions). Lincoln closed the Multi-Fund 5 contract.

Also on October 31st Lincoln released an O-share. The fee structure pulls elements from both the A-share and B-share structure. The base contract fee is 85 bps. A sales charge is spread over 7 years, ranging from 15 bps to 70 bps based on breakpoints from \$50,000 to \$1 million. The contract offers the unique Lincoln hybrid income guarantee, GMWB, and Lifetime GMWB. Death benefits are Return of Premium and HAV (Legacy Fusion and ChoicePlus Fusion).

### **Minnesota Life**

Minnesota Life has created a new Lifetime GMWB. The benefit offers an age-banded withdrawal structure from 4.5% to 8.0%. The withdrawal rate is 5% for a 65 year old. The benefit base is enhanced by a 6% step up and a 200% deferred benefit base bonus. The rider costs 115 bps for the single and 165 bps for the joint life version (Ovation Lifetime Income).

### **Pacific Life**

Pacific Life has a new bonus share. The cost is 160 bps and the surrender schedule has been extended a year to eight years. The contract offers a 4% or 5% bonus on first year payments. The contract carries a GMWB, Lifetime GMWB, GMAB and the three common death benefits (Pacific Value Select). The company closed the Pacific Value contract.

Pacific Life continues to plan for the Edward Jones market with an O-Share. The fee structure pulls elements from both the A-share and B-share structure. The base contract fee is 85 bps. A sales charge is spread over 7 years, ranging from 15 bps to 70 bps based on breakpoints from \$50,000 to \$1 million. The contract offers a GMWB, Lifetime GMWB and Return of Premium and HAV death benefits (Pacific Destinations O-Share).

### **Transamerica**

Transamerica released a new I-share contract in pursuit of the RIA market. The low 45 bps fee is competitive. The contract offers a Lifetime GMWB and three types of death benefits: return of premium, highest anniversary value, and enhanced earnings (DWS Personal Pension VA).

Transamerica is offering a new Lifetime GMWB. Pricing ranges from 45 bps to 140 bps depending on investment options chosen. The rider offers an age-banded withdrawal structure ranging from 4% to 6%. The withdrawal rate is 5% for a 65-year-old (4.5% for joint life). There is a 5% simple step up as well as a highest-anniversary value feature (Retirement Income Choice 1.5).

### **Allianz Life**

Allianz has filed but not activated a Lifetime GMWB (on hold as of 4-26-11). The rider proposes a unique guaranteed withdrawal percentage based not on age, but on the rate of the 10-year U.S. Treasury note. This ties payouts directly to market performance, removing the age factor. The fixed step up amount is 8% along with an HAV step up.

### **The Hartford**

On October 31st Hartford released an O-share. The fee structure pulls elements from both the A-share and B-share structure. The base contract fee is 70 bps. A sales charge is spread over 7 years, ranging from 17 bps to 71 bps based on breakpoints from \$50,000 to \$1 million. The contract offers a GMWB, Lifetime GMWB and Return of Premium and HAV death benefits (Personal Retirement Manager).

### **MetLife**

On October 10th MetLife decreased its step up percentage on its popular GMIB benefit. The new GMIB Max II has a step up that is either 5.5%, or the ratio of the RMD divided by the benefit base, whichever is higher. This is down from 6% previously.

In addition, the enhanced payout rate on the no lapse guarantee was reduced in the same way, now offering 5.5% (down from 6%). This provision is now available on or after the owner's 67th birthday (down from age 70) (GMIB Max II). In addition, GMIB Max III has been filed which reduces the income amount to 5%, effective in January 2012.

### **Monumental Life**

On October 19th Monumental Life, in partnership with Vanguard, released a new Lifetime GMWB benefit for the Vanguard I-share contract. The 95 bps benefit offers a 5% lifetime withdrawal rate for a 65 year old (4.5% joint life) and a highest-anniversary value step up (Guaranteed Lifetime Withdrawal Benefit for the Vanguard VA).

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