
Eight more insurers to issue DIAs: LIMRA

By Editor Test Tue, May 28, 2013

A recent LIMRA-CANNEX study, 'Features in Income Annuities—Immediate and Deferred Income Annuity Designs,' noted differences and similarities of immediate and deferred income annuities.

Eight insurance companies plan to introduce their own deferred income annuities (DIA) in addition to the nine who already do, according to a recent LIMRA-CANNEX study of seven DIA products. In its release about the study, LIMRA and CANNEX did not name the eight new entrants.

Also referred to as a longevity annuity, deferred payout annuity, or advanced life-delayed annuity (ALDA), a DIA pays income to the policyholder starting at least 13 months from the policy date. The traditional single-premium immediate income annuity (SPIA) provides income beginning within 13 months after purchase.

The deferred income annuity is designed to help jump-start the long-awaited annuity boom by appealing to the millions of soon-to-retire Baby Boomers in the U.S. who anticipate needing guaranteed income five to 10 years or more from now.

The LIMRA-CANNEX study, *Features in Income Annuities—Immediate and Deferred Income Annuity Designs*, noted these differences and similarities of immediate and deferred income annuities.

- **Multiple contributions:** Current designs of deferred income annuities differ from immediate income annuities in several ways. One key difference with a DIA is the ability to make multiple contributions before the income start date. Most (four out of seven) of the current products allow you to make multiple contributions into the contract.
- **Income commencement date flexibility:** Another difference between the immediate and the deferred income annuity is the ability to choose a wider range of income commencement dates. With the DIA the income can be deferred for as short as 13 months to as long as 45 years. Most (six out of seven) of the current products allow you to change that commencement date. Five of those six companies allow the date to be deferred up to five years after the original payout date.
- **Liquidity features:** Many of the immediate income annuity liquidity features are also available in a DIA. In fact most (five out of seven) DIAs have at least one liquidity feature. Three of the six companies offer the accelerated payment option. Two of the six offer some access to a commuted value of the guaranteed payments. One company offers 100% liquidity (life included) within 60 days of starting income payments.
- **Income flexibility:** Most (five out of seven) of the DIAs have a cost-of-living adjustment option. No carriers differentiate the range of COLA rates offered based upon contract types such as life only or period-certain contracts. One insurance company offers a lower maximum COLA rate for deferred income annuities funded by qualified funds. Currently there are no DIA companies that link the payments to the consumer Price Index.

While still a small percentage of the overall income annuity market, the study also showed that deferred income annuity sales reached more than one billion dollars in 2012.

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