
First Investors launches flexible-premium longevity annuity

By Kerry Pechter *Thu, Jan 29, 2015*

"Sales of our single pay deferred income annuity, which we introduced last year, have been three or four times what we projected," said Carol Springsteen, president of First Investors Life, subsidiary of The Independent Order of Foresters.

First Investors Life Insurance Co., which began selling a single-premium deferred income annuity (DIA) last year, has just launched a flexible-premium version of the same product called Flexible Pay Longevity Annuity, the New York-based, wholly-owned subsidiary of The Independent Order of Foresters, a fraternal benefit society based in Toronto.

Although much smaller than other life insurers in the \$4 billion DIA space, like New York Life, MassMutual and Northwestern Mutual Life, First Investors is encountering much the same market response to its DIA as its larger competitors, in terms of demand, client demographics, and intended use of the product.

"A lot of reps are being contacted by clients looking for help—demand was stronger than we anticipated. There's pent-up demand. People who are near retirement is worried about living longer, about low interest rates, about the status of Social Security, and about market volatility. They're asking, 'How can I make sure my fixed expenses will be covered?'" said Carol Springsteen, president of First Investors Life.

"Sales of our single pay deferred income annuity, which we introduced last year, have been three or four times what we projected. What we expected from that product and what eventually took hold were somewhat different. Its target market ranged from age 45 to age 70. We're finding however that the typical age at purchase is late 50s and the typical deferral rate is or six years."

That purchasing pattern, she said, shows that near-retirees are buying deferred income annuities as income-replacement or "personal pension" tools for retirement income they expect to receive, rather than as pure insurance policies that don't pay off until and unless the contract owner lives beyond the average life expectancy (17-19 years at age 65).

First Investors distributes through about 750 captive intermediaries to new customers and an existing policyholder base of about one million in all fifty U.S. states. First Investors is a stock company wholly owned by the International Order of Foresters, a fraternal organization whose customers become members rather than policyholders.

“We focus on the middle market, which means people who want to put \$100,000 to \$150,000 in an annuity,” Springsteen told RIJ. “We have a guideline, but not a rule, that the client shouldn’t put more than 30% of savings into annuities.” As with other insurers that distribute annuities through captive agents who have long-term relationships with their clients, First Investors’ annuity sales are typically just one piece of a larger financial plan. “It’s not a one-off type of sale.”

To serve clients who want to dilute their interest rate risk by dollar-cost averaging into a deferred income annuity, First Investors issued a flexible-premium version of its DIA this week. “I’m curious to see what the demographics for that product will be,” Springsteen said. People as young as age 20 can contribute, and until age 35 the minimum contribution is \$700 a year. From age 35 onward, there’s a \$1,000 annual minimum.

First Investors offers an optional return of premium death benefit for the beneficiaries of contract owners who die during the deferral period. If the contract owner dies during the income period, the beneficiaries receive the same monthly payments until the original premium amount has been returned.

The DIAs currently offered by First Investors were developed over the past several years, and are not qualified longevity annuity contracts (QLACs) as described by the Treasury Department in announcements in July and October 2014, Springsteen said. A QLAC is a DIA, purchased with tax-deferred savings from an IRA or qualified plan, from which the owner can delay taxable distributions until as late as age 85.

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