

Great American Offers No-Commission Indexed Annuity

By Kerry Pechter Thu, Aug 11, 2016

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Fee-based advisors say they've been waiting for annuities that offer customer value instead of performance-draining commissions. Insurers have been listening—and are now acting.

Great American Life, the third-ranked seller of fixed indexed annuities after Allianz Life and American Equity, has introduced a zero-commission FIA with a living benefit rider that's intended for distributor to retirement clients of fee-based broker-dealer advisors and registered investment advisors.

Called the Index Protector 7, the product offers higher caps on its point-to-point index crediting method—up to six percent compared with the 3% to 4% cap on similar products. The fee for the “stacked” guaranteed lifetime withdrawal benefit is 50 basis points.

“The real appeal is the strong rates,” Malott Nyhart, senior vice president of the annuity group at Cincinnati-based Great American, told *RIJ* today. “We think that's pretty strong for a seven-year product. There are 14 to 16 year products that might have a 5% cap, but broker dealers don't want to sell those long-duration products.”

According to a press report in July, other FIA manufacturers—Allianz Life, Voya, Symetra and Lincoln—have no-commission FIAs in the works.

The Great American call center was swamped today with calls from broker-dealers and RIAs, Nyhart said. “Their only question they have is how much advisors will charge for this. I think it will be in the 20 to 40 basis point range”—between the amount they charge for managing fixed income money and the amount they charge for managing equities,” he told *RIJ*.

Regarding the lifetime income benefit, “It's a 2% stacked rider which pays 2% on top of any or all growth of the FIA annuity value,” he said. It has 5% payout for single contracts

beginning at age 65 (4% for joint contracts). The contract has a seven-year duration with a 7% surrender charge for each of the first three years.

The introduction of the new product, which the closely-held Great American discussed with its major distribution partners at a retreat in South Carolina last April, was spurred in part by the DOL's fiduciary rule, which is expected to discourage the sale of FIAs and variable annuities that pay third-party commissions.

"The DOL gave it some impetus, but the real issue is that the markets are pretty much topping out," he said. FIAs offer investors a combination of zero risk of downside losses with limited exposure, through options on equity indices, to equity market gains.

Nyhart said that Great American has been building its ties to broker-dealers, the channel where more of its FIA sales come from. "We saw a 30% increase of sales from b/ds in 2015," he told RIJ, "and 50% of our sales came out of b/ds in first half of this year. We assume that, because of the rider, a lot of the sales will be to qualified accounts."

Great American's ability to bring out a fee-based FIA ahead of its competitors may have something to do with its ownership structure. The company is publicly-traded but closely-held by billionaire brothers S. Craig Lindner and Carl Lindner III. There's a lean management structure that reviews new ideas and makes decisions relatively quickly.

"Our process is faster-to-market. We changed the whole make-up of product development," Nyhart said in an interview. "We have a system where I look at new ideas and then every two weeks we score them. Then we look at what is the simplest version and drive it from simplest to most complicated. We don't have to go through committees. We can talk about it over lunch and make a decision."

Great American intends to review all of its products to determine whether to roll out a no-commission version of others. "This is the first of many," Nyhart said.