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## Harbinger unit offers fixed deferred annuity with GLWB

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Fidelity & Guaranty Life Insurance Co., the Baltimore-based annuity issuer that diversified holding company Harbinger acquired from Old Mutual two years ago, has introduced a line of one-year guaranteed rate fixed annuities that offers a guaranteed minimum withdrawal benefit like that of a variable annuity or fixed indexed annuity.

The concept seems counter-intuitive, considering that fixed income investments are paying next to nothing, fixed deferred annuities are in an unprecedented sales slump, and nobody in recent memory, if ever, has tried it.

The new product line is called the Simplicity Elite series. According to a product brochure for [Simplicity Elite 10](#), a single person who buys the product with a \$100,000 at age 65 and waits 10 years, can take an income of \$11,600 a year for life at age 75. For a couple, the payout would be based on the age of the younger of the two, and be \$10,600 at age 75. This rider's price is 85 basis points per year. There's a guaranteed minimum death benefit available for 40 basis points a year.

F&G is aiming the product at people who want a flexible guaranteed income product but balk at the complexity of fixed indexed annuity. "Agents have told us that they want to lead with the income story and don't want to complicate it with indexing methods. A traditional fixed annuity chassis provides that simplicity—pun intended," said Brian Grigg, Fidelity & Guaranty Life's vice president, annuity distribution, in a release.

"Consumers tell us they want a product they can easily understand," he added. "They want to know the dollars in simple terms. With the built-in guaranteed minimum withdrawal benefit rider, as an example, we can say that on a guaranteed basis, \$100,000 from a 55-year-old provides annual income of \$9,600 for life starting at age 65. Consumers understand this."

"It's almost like a deferred SPIA," said Paul Tyler, a Fidelity & Guaranty Life spokesman. "You don't buy this product for accumulation." Fidelity & Guaranty carries a B++ rating from A.M. Best. Addressing the topic of whether fixed deferred annuities can generate enough gain to fund a generous income guarantee, Tyler said: "We think rates are going to go up."

The guaranteed interest rate for the initial product year is 2%, he said, and it will reset annually. Simplicity Elite will sell mainly through independent insurance agents, but the issuer thinks it may appeal to broker-dealer reps who want a lifetime income guarantee but aren't comfortable with indexed products. "One advantage of a fixed deferred annuity is that some of the broker-dealers won't sell FIAs," Tyler told RIJ.

He also rejected the idea that because Fidelity & Guaranty is owned by Harbinger, a holding company, that the product reflects a risk-taking culture. “Yes, our money originally came from a hedge fund, but our parent’s stated objective is to build a diversified conglomerate like a Berkshire Hathaway or Loews Corp.”

Simplicity Elite is available in 7, 10 and 14 year durations. All contracts in the series offers minimum guarantees and guaranteed minimum death benefit (GMDB) rider. A vesting premium bonus is available on the 10 and 14-year product. The minimum premium is \$10,000. and Simplicity Elite is available in 7, 10 and 14 year durations.

Fidelity & Guaranty Life and an independent marketing organization collaborated to develop Simplicity Elite “with the soon-to-be-retiree in mind,” Grigg said. Harbinger Group completed its acquisition of F&G from Old Mutual plc in April 2011 for \$350 million. Old Mutual had earlier paid \$635 million for it.

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