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## Letter to the Editor

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By Editor Test     *Wed, Aug 29, 2012*

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*Jeffrey Dellinger, actuary and president of Longevity Risk Management Corp. of Ft. Wayne, Ind., comments on a recent RIJ article.*

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Dear editor:

I noticed the opening sentence of "[Weighing the Value of a Variable Annuity](#)" (July 31, 2012 *RIJ*) mentions that Steinorth and Mitchell indicate that a VA lifetime withdrawal benefit—especially one with a ‘ratchet’—can provide upside potential and downside protection many Baby Boomers want in retirement.

Attached is a short PDF I sent to you previously, containing selected language from the 1998 GMWB & GLWB patent filing. Anticipating such a desire for a ratchet, I included it in the patent filing and even gave a numerical example of how this would work. (See page 3 of the attached [PDF](#).)

Another reason a VA-writing life insurer might want to offer a “ratchet” GLWB is for persistency purposes. Suppose the VA account value goes up substantially after the GLWB election in a product with a standard, non-ratcheting GLWB. In the current product, a consumer’s GLWB withdrawal level is fixed at the original level. If the consumer performs an exchange to a new VA and elects a new GLWB still of the standard, non-ratcheting form, then he or she establishes a higher GLWB withdrawal level.

If the original VA-writing life insurer had offered a “ratchet” design, such loss of business on the books could have been avoided, resulting in higher assets under management and the commensurately higher M&E&A revenue.

So while a ratcheting GLWB may offer additional value (for an additional price) to the consumer, the insurer’s self-interest can also play a role in the offering of such a design.

Best wishes,

Jeffrey Dellinger