More info on New York Life’s DIA Emerges

By Editor Test *Wed, Apr 20, 2011*

The deferred income annuity will allow pre-retirees to build up retirement income over time, it was revealed at the LIMRA Retirement Industry conference in Las Vegas last week.

Wearing a reversed, Army-green fatigue hat, a chalk-striped suit and open-collar shirt, Dylan Huang cut an unconventional figure during his presentation at the LIMRA Retirement Industry conference in Las Vegas last week.

But the young New York Life vice president had unconventional news to share about the deferred income annuity (DIA) that his company intends to marketing in 3Q 2011, and which a few news outlets have sketchily reported.

The product is a deferred income annuity that would be purchased at a discount perhaps 10 years before retirement to fund lifetime income at retirement. Huang said the currently envisioned product would pay out about 13%—the number is presumably a projection —of the beginning premium after 10 years. That’s roughly double what an immediate income annuity pays today for a 65-year-old male.

Such a product could be purchased with a series of premiums, he said, for interest-rate diversification. A single income stream would begin at an appointed date. All of the income would be for-life, he said. The product apparently won’t be designed for bucket methods that create income for discrete time-segments during retirement.

The product is distinct from the little-used DIAs that are known as longevity insurance and which are typically purchased at retirement to provide income for life starting at age 80 or 85. MetLife and PIMCO are currently co-marketing MetLife longevity insurance to be used in conjunction with PIMCO’s 10-year and 20-year TIPS payout funds.

In response to a question, Huang said that Income Enhancement Option on New York Life’s existing single premium immediate annuity is under review and that the company would like to make it more flexible.

The option allows an increase in the payout rate if the 10-year Constant Maturity Treasury Index in the third full week of the calendar month immediately preceding the fifth policy anniversary is at least two percentage points higher than the 10-Year CMT Index in the third full week of the calendar month immediately preceding the policy date. The higher income benefit would begin on the first scheduled payment after the fifth policy anniversary.