
New USAA life income annuity offers emergency medical rider

By Editor Test *Wed, Nov 9, 2011*

The free rider allows contract owners to withdraw up to 30% of the present value of the contract after three years to cover an emergency expense, such as uncovered medical costs.

USAA Life, an A++ rated (A.M. Best) member-owned company primarily serving military families, has introduced a new immediate income annuity that allows contract owners to withdraw up to 30% of the present value after three years to cover the expense of a “financial emergency, such as a an uncovered medical expense.”

The product is called Guaranteed Retirement Income Plan.

Robert Schaffer, USAA’s assistant vice president of annuities, said the contract owner would receive reduced income, based on the new present value and prevailing interest rates. “We wouldn’t strip anything off. There’s no additional fee to get the rider,” he told RIJ this week.

Schaffer said the company’s income annuity was due for an update. “We spent time with focus groups, and the question came back, ‘What if I have to pay for funeral expenses or some other emergency?’ We listen to our members as we design and build products.”

Not by accident, more than 90% of USAA’s life annuity contracts include a period certain. “Our advisors work hard to makes sure our members don’t select a life-only annuity. We make sure we put a guaranteed period on it so they get their money back,” Schaffer said.

USAA’s income annuity purchasers have an average age of 59 to 60, he said. They are typically retired service people who, perhaps while working as consultants, want extra income until they are ready to receive Social Security benefits.

USAA members tend to live longer than average, Schaffer said, but the company remains price-competitive by keeping costs low. It sells directly to members, primarily over the telephone through salaried financial advisors. He said USAA recently increased its holdings of municipal bonds from 15% to as much as 25% of its assets.

As of June 2011, USAA reported a net worth of \$19.3 billion, up steadily from \$14.4 billion in 2007. It has 8.4 million members and 24,000 employees, about 20% of whom are former members of the U.S. armed forces.

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