

Nine Insurers Now Offer DIAs

By Editor Test Thu, May 2, 2013

Here are thumbnail descriptions of deferred income annuities from American General, Guardian Life, MassMutual, MetLife, New York Life, Northwestern Mutual, The Principal, Prudential and Symetra.

At last count, nine insurance companies had entered products in the relatively new but thriving niche market for deferred income annuities, which enable near-retirees to buy a personal pension a few years or a few decades or in advance of retirement, either with a single premium or multiple premiums.

Sales of DIAs surpassed \$1 billion in 2012, according to LIMRA. In the variable annuity world, that's a trivial sum. But in the world of income annuities, where sales expectations are more modest, that's an impressive sum. (For an analysis of the DIA market, see this week's RIJ cover story.)

2012 DIA Sales - Industry Est. (000s)				
Q1	Q2	Q3	Q4	2012
160,000	210,000	270,000	390,000	1,030,000
Source: LIMRA				

Provided below are thumbnail descriptions of the DIAs that, to the best of our knowledge, are currently available:

American General Future Income Achiever

This product requires an initial premium of \$20,000, a maximum deferral period of 40 years, and two optional death benefit options during the deferral period: a return of premium or a return of premium plus 3% compound annual interest. Payments can be increased by 1% to 5%, or they can rise with the Consumer Price Index (CPI-U). Twice during the payout period, contract owners can access up to six months' worth of income at once.

Guardian SecureFuture Income Annuity

The Guardian Insurance & Annuity Co., Inc., part of Guardian Life, has introduced a deferred income annuity (DIA) that can be created with as little as \$5,000 and provide income that starts up to 40 years after the purchase date. Subsequent premiums can be as low as \$100, contract owners can change the start date once after purchase, and owners can receive up to six months of payments at once, one time during the payout period. (This product can be purchased directly on Fidelity's DIA platform.)

MassMutual RetireEase Choice

This DIA allows contract owners five opportunities during the payout period to access three months or six months of payments at once. It requires a minimum initial purchase premium of \$10,000, but subsequent

flexible premiums can be as low as \$500. The contract offers a return-of-premium death benefit during the deferral stage, inflation adjustments during the payout stage, and a one-time opportunity to change the income start date after purchase. (This product can be purchased directly on Fidelity's DIA platform.)

MetLife LIG (Longevity Income Guarantee)

This product comes in two versions. The flexible-access version, designed for creating a personal pension, allows contract owners to make multiple purchase payments of as little as \$2,500 and to pick their own income start dates. The maximum income version is pure longevity insurance. It has no death benefit or liquidity feature and income may start only at age 85.

New York Life Guaranteed Future Income Annuity (I and II)

New York Life introduced the first version of this product in mid-2011 and followed up with an enhanced version in 2012. The first version allows contract owners to set a fixed income during the payout period, while the second version allows contract owners a slightly different risk/reward proposition: a lower fixed income guarantee than the first version, but upside potential through exposure to equities during the deferral period. (This product can be purchased directly on Fidelity's DIA platform.)

Northwestern Mutual Life *Select* Portfolio

Northwestern Mutual's single-premium DIA, sold only through the firm's career force, allows contract owners to apply all or part of the insurer's annual policyholder dividends to the value of the annuity, either before or after the beginning of the payout period. Alternately, the contract owner can take all or part of the dividends as income. The company also offers a DIA without dividend enhancement. The product is designed for purchase with money from a traditional or Roth IRA or 401(k) plan. Contract owners can choose an option that gives them a one-time opportunity to change the design of their annuity (and move the start date up by up to five years) before income begins.

The Principal Deferred Income Annuity

This product allows contract owners to delay income for up to 30 years. Four times during the payout period, the contract owner can withdraw six month's worth of payments at once. Purchasers can use qualified or non-qualified money to buy the contracts, and can buy single or joint-and-survivor contracts. There is a return of premium death benefit before income begins, and an optional return of unpaid premium death benefit after payments begin. Payouts can be automatically raised by up to 5% per year or they can track the Consumer Price Index. (This product can be purchased directly on Fidelity's DIA platform.)

Prudential Defined Income

Prudential's DIA product is built like a variable deferred annuity with a living benefit but invests 100% client assets in a long-duration bond fund, held in a separate account. It offers an annual compound 5.5% roll-up in the benefit base for every year the client delays taking an income stream. The all-in annual costs

are 2.74%. The payout rate from the Prudential Defined Income annuity is based on the client's age when he or she purchases the contract, not when he or she begins taking income.

Symetra Freedom Income Annuity

Symetra markets its DIA either as longevity insurance that begins providing income at age 80 or 85, or as a personal pension that begins providing income five to 10 years after purchase. According to Symetra, this product has certain unique features: an annual inflation adjustment of up to 6.5% (available in 0.1% increments), a death benefit in the deferral period for contracts that are life-only in the payout period, and a five-year period certain option.

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