
Phoenix Launches Two Indexed Annuities

By Editor Test *Wed, Nov 25, 2009*

The products offer three guaranteed income options, and investors can track the S&P 500 Index, the DJIA, the Dow Jones Euro Stoxx 50 Index or all three.

The Phoenix Companies, Inc., whose downgraded strength ratings have limited its ability to sell variable products, has brought two new indexed annuities to market, the Phoenix Index Select and Phoenix Index Select Bonus. The life insurer is currently rated B++ by A.M. Best, BB by S&P and Ba1 by Moody's.

Both products offer three optional guaranteed minimum withdrawal benefit riders for income-minded investors. Each has a 10-year surrender charge—the maximum allowed under most state insurance commission guidelines—and the principal protection characteristic of indexed annuities.

The minimum initial premium is \$15,000. With the Select Bonus, the company increases the account value by 5% at issue, so that a \$100,000 investment would have a value of \$105,000 immediately.

“The story is around simplicity,” said Lou DiGiacomo, principal of Saybrus Partners, a Phoenix distribution subsidiary, in an interview with RIJ. “We’re trying to make it very simple for consumers to understand, and we’re stressing retirement benefits and retirement safety.”

Under the Phoenix Index Select, investors can choose among two different crediting methods, an annual point-to-point method, which locks in gains each year, and a five-year point-to-point method, which locks in gains at the end of a five-year period.

The annual point-to-point method can be pegged to the S&P 500 Index, the Dow Jones Industrial Average, the Dow Jones Euro Stoxx 50 Index or any combination of the three. The five-year point-to-point can be pegged only to the S&P 500. New investors can allocate their premium to any or all of these methods, or invest in a fixed-rate account currently paying 2.8% per year.

These options have various “participation” rates and “caps,” which indicate how much of the index return the investor is entitled to over the course of the one-year or five-year periods. For instance, under the one-year point-to-point S&P 500 method, the investor can participate in all of the S&P returns, but only up to a cap of seven percent per year. For the Bonus Select, the cap on that method is 6.5% per year.

The investor can also choose among three different income riders, each costing 0.50% of the benefit base each year. Of the three options, the “Income 25” applies a 25% bonus to the benefit base—the amount on which future payouts are calculated, which may be higher than the actual account balance.

Another option, called “Income Plus,” offers a potential eight percent annual increase in the benefit base during the first ten years of the contract. A third option, the “Income Max” offers immediate income at an accelerated payout rate. DiGiacomo likened the Income Max to “a single-premium income annuity,” but with “control of your money.”

© 2009 RIJ Publishing. All rights reserved.