

---

## SunAmerica Links VA Rider Fees to Volatility Index

---

By Editor Test     *Wed, Feb 3, 2010*

---

*Designed for the Polaris series of variable annuities, the two new guaranteed minimum withdrawal benefits are called Income Plus 6% and Income Builder 8%.*

---

SunAmerica, the AIG unit that bills itself as “The Retirement Specialist,” has launched two new variable annuity living benefits whose rider fees fluctuate with the VIX, the index of S&P 500 equity volatility at the Chicago Board Options Exchange.

By sharing some of the hedging risk with the contract owner, the insurer hopes to maintain a relatively generous bonus during the accumulation stage and payout rate during the distribution phase. SunAmerica has apparently not chosen to simplify or strip down its variable annuities, but to offer benefits as rich as possible while still “de-risking.”

Designed for the Polaris series of variable annuities, the two guaranteed minimum withdrawal benefits are called Income Plus 6% and Income Builder 8%. They have distinct but overlapping characteristics.

Both contracts encourage the contract owner to postpone withdrawals by promising to double the guaranteed income base (the purchase premium, initially, and the amount on which payouts will be based) if the contract is undisturbed for 12 years.

In addition, the Income Builder 8% allows owners to take withdrawals of up to 5.5% during the income stage. The income stage can begin as early as age 45. The rider is designed for individuals who want to rebuild their portfolios between now and the time they retire.

The Income Plus 6% allows withdrawals of up to six percent during the first 12 years, and clients’ income bases are credited with the difference if the withdrawal—a required distribution from a qualified plan, for instance—is less than six percent. The rider is designed for people who may be involuntarily retired and need to begin living on their savings.

But the novel aspect of the product is the fee structure. The initial fee rate of 1.1% (1.35% for joint and survivor contracts) is guaranteed for the first year. After that, it can fluctuate with the VIX by as much as 6.25 basis points per quarter or up to 25 basis points per year. But it cannot be higher than 2.2% for one person (2.70% for two) per year or lower than 0.60%. For every one percent change in the VIX, the fees move five basis points.

“We’re passing through the cost of the hedging to the owner so that we can add more value,” said Rob Scheinerman, senior vice president for product management at SunAmerica. “In the marketplace all the products have a variable fee structure. And we’ve seen a lot of riders move up in price. This product also has the ability to go down in price.”

“We spent last year trying to understand the marketplace. Advisors were saying, ‘My clients need to

generate the most income today.’ As a secondary message, ‘They’ve put off their retirement and they need a recovery strategy,” Scheinerman said.

Aside from minor modifications that SunAmerica has made to existing products in the past year, Income Plus 6% and Income Builder 8% are the company’s first new annuity offerings since the financial crisis and the bailout of its parent company, AIG.

“We did about \$1 billion last year, and we’re getting ready for a build-back this year,” he added, saying that AIG’s troubles have not hurt SunAmerica. “We have very high capital levels and there’s never been any question about our strength. People are comfortable selling our product. We distribute through all channels. The wirehouses are our main channel but we’re also strong in the bank channel.”

© 2010 RIJ Publishing. All rights reserved.