Tiny, Embattled Presidential Life Announces a New DIA

By Editor Test *Wed, Jan 27, 2010*

The Sentinel deferred income annuity would pay a 55-year-old man $25K per year for life, starting in 20 years, for about $86,900 today.

If you were a healthy 45-year-old male and someone offered you a lifetime income of $25,000 a year starting 20 years from now for $128,697—contingent on your survival—would you want to hear more? Or would you walk away?

How about a payment of just $86,816 at age 55 in exchange for $25,000 every year, starting at age 75?

Those are examples of the kinds of deals that tiny Nyack, NY-based insurer Presidential Life Corp. (rated B+ or “Good” by A.M. Best)—whose founder is currently trying to regain leadership of the company by storm—wants to make with its new Sentinel deferred income annuity.

The product is described as a revival of a product popularized between 1934 and 1936, when Americans opted for insurance contracts over stocks. It can be purchased by someone as young as 35, who at today’s prices could buy a $25,000 lifetime income starting in 2040 for $83,354, according to the company.

“We expect, younger individuals, ages 30 to 60 to purchase Sentinel annuities,” said Gary Mettler, CFP, a Presidential Life vice president. “Many individuals in this age category have more complicated lives that, by their nature, carry more ‘Black Swan’ type risks versus the typical deferred annuity purchaser who is usually over age 65, slowed down and retired.”

Initially offered only for non-qualified business, the policy is available in 14 states. Agents must receive training before they can sell the policy. Premiums can range from $10,000 to $500,000.

Owners can defer income from 5 to 30 years, depending on issue age, but not later than age 90. Income payments are guaranteed at the issue date. The income options include 5-, 10-, 15- and 20-year period certain; single and joint 100% survivor life with 5-, 10-, 15-, and 20-year period certain; and single and joint 100% survivor life only.

For period certain contracts, if the annuitant dies during the deferral period, the policy may return more or less than the premium cost to the beneficiary. If death occurs after income payments start, the beneficiary receives only the period certain portion; there is no lump sum.

Presidential Life has experienced managerial turbulence recently. The founder, Herb Kurz, has been trying to unseat Donald Barnes, his appointed successor and colleague for 15 years, from his position as CEO of Presidential Life, and to run the company again. RIJ asked Mettler to comment.

“At this time”—January 15, 2010—“the senior management issue finds the three major proxy advisory services in the country finding in favor of the current management team,” Mettler wrote in an e-mail.

“The lead independent board member, William Trust, has asked Herb to discontinue his attempt to re-instate himself as President and CEO. At this time, Herb has not responded to his request. This action should come to some conclusion within the next 30 days or so, if not sooner.

“However, Presidential remains one, if not the only, debt-free life insurance carriers in the United States and free of any federal government interference as the company never sought or accepted U.S. government relief monies.

“Presidential was not caught holding residential mortgage securities nor did the company ever engage in insuring others’ debt obligations. This is, as you know, unlike some other carriers.

“While 2009 has been a tough business year, and 2010 isn’t shaping up to be any better, Presidential Life remains self-reliant and that’s a lot more than what can be said about several A rated carriers.”