Top-Selling Annuity Contracts, First Qtr 2021

By Editorial Staff *Thu, Jun 17, 2021*

Wink's first-quarter sales data showed that Perspective II from Jackson National, the Allianz Benefit Control Annuity, and Prudential's FlexGuard contract were the best-sellers in their respective product categories.

The top-selling annuity contracts in their respective categories in the first quarter of 2021, according to Wink Intel, were the Jackson National Perspective II 7-year variable annuity, the Pruco Life Prudential FlexGuard Indexed VA (in the RILA category) and the Allianz Benefit Control Annuity, a fixed indexed annuity from Allianz Life. As for multi-year guaranteed rate annuities, New York Life was by far the biggest seller of MYGAs in the first quarter, but the big mutual insurer didn't release product-level sales data.

Perspective II from Jackson National. This contract, issued by the top seller overall of traditional variable annuities for several year, has been the most popular variable annuity for many quarters. It gives contract owners 120 investment options to choose from, and doesn't confine the owner to certain balanced or volatility-controlled investments when they pick one of the three lifetime income riders.

A Jackson National spokesman told RIJ, "While Jackson has offered investment freedom for the longest period of time with our Perspective II VA, we cannot claim to be the only carrier. Nationwide now offers two benefits that do not have investment restrictions and Delaware Life also has a benefit that does not require investment restrictions." The three income options are bonus, step-up, and withdrawal rate.

Allianz Benefit Control Annuity from Allianz Life. The Minneapolis company, the US branch of Allianz of Germany, is trying to fend off the invasion of the FIA space, which it once ruled, by Athene, Fidelity & Guaranty Life, and Global Atlantic, three insurers with asset managers (Apollo, Blackstone and KKR) helping them squeeze more yield from their general account investments.

Its Benefit Control Annuity seems to be a winner. It's also complex. The contract has bonuses, income riders, and volatility-controlled hybrid indices that are likely to make it challenging for advisers, let alone investors, to navigate. But advisers, despite their protests, have always seemed to prefer complexity over simplicity as long as it translates into flexibility.

The bonuses require especially close reading. Contract owners can get a bonus to their income base (the "Protected Income Value" or PIV) of 250% of their index gain each year or, if they prefer, a bonus to their account value of 50% of their gain. So if they gain 5% from index appreciation in a year, their PIV would get a 12.5% boost or the account value would get a 2.5% boost.

In addition, there's a bonus option that adds 150% of the index gain to the PIV and 100% of the index gain to the account value. The account value, with bonuses, is available after 10 years (which is also the length of the surrender period). How does the issuer pay for all this? In part by charging 0.95% per year on and limiting the income payout rate at age 65 to 4% of the PIV for single owners and 3.5% for joint owners.

Pruco Life Prudential FlexGuard Indexed VA. Prudential came to the structured annuity market in early 2020, 10 years after the birth of this category. But its entry product has posted about $3.5 billion in sales in its first four-quarters. Prudential claims that the fastest start for any contract in the RILA category, which Equitable (then AXA Equitable) created in 2010. This week, Prudential brought out a version of the contract with a lifetime income benefit.

FlexGuard offers three crediting strategies: A point-to-point cap rate strategy that can work like a typical FIA; a "Tiered" Participation Rate strategy; and a Step Rate Plus strategy. Only two indices were available on the original contract: the S&P 500 Index or the MSCI EAFE, which holds shares in companies in 21 developed countries outside the US and Canada.

The investor can get the index return up to a cap over a crediting period of either one year, three years or six years. As for downside protection, the investor can choose a buffer that exposes them to any loss beyond the first 10% over a one-year or three-year term, or zero loss over one year (with the S&P 500 Index only). Those who choose a three-year term can elect a downside buffer of 10% or 20%. Those who choose a six-year term can elect a 20% buffer.

The Tiered Participation Rate strategy is for people willing to commit their money for the maximum six-year term. The investor earns 100% of the index return up to a cap (20%, for example) and 130% of any gain above the cap. If the index rose 80% in six years, the investor would get 20% plus 78% (1.3 x 60%) for a total of 98% over six years. The product has a 10% buffer. In the Step-Rate strategy, available only with a one-year term, the investor earns a "step" rate (6%, for instance) if the index gain is positive but equal to or less than the step rate. If the gain exceeds the step rate, 90% of the total gain accrues to the investor.