# VA Issuers Keep On Tweakin'

By John McCarthy *Wed, Jun 5, 2013*

*Carriers filed 97 VA product changes in the first quarter of 2013, down from 101 in the fourth quarter of 2012 and 59 in Q1 of last year. Benefits continue to shrink and volatility controls on subaccounts have become more common, according to Morningstar's Annuity Solutions product manager.*

The VA industry in the first quarter of 2013 was impacted by a number of changes in the distribution footprint. Changes in the variable annuity provider list dominated the quarter. SunLife sold its U.S. variable annuity business to Delaware Life Holdings, owned by Guggenheim Partners. Hartford moved to reduce its liability with one of the more impactful buyout offers in recent memory. On the flip side, Forethought Financial entered the market with a new VA issue.

Overall, product development activity was robust. Carriers continue to adjust benefit levels down. In addition, activity continued on the subaccount side to reduce volatility in investment offerings. Carriers filed 97 annuity product changes in the first quarter of 2013. This compared to 101 new filings during the fourth quarter of 2012 and 59 in Q1 of last year.

New product launches were modest. Carriers filed very few new contracts and a small number of new benefits. Most of the activity this quarter centered on fee changes to existing products and revisions to step ups and withdrawal percentages.

**Q1 Product Changes**

AXA released new versions of its Accumulator (13.0) and Retirement Cornerstone (13.0). The fee is unchanged but the attached benefits are updated (see page 3). AXA issued new versions of its GMIBs. The GMIB I costs 1.15% (up from 1.10%) and guarantees a benefit base to annuitize after a 10-year waiting period. A 5% step up works until age 85 or first withdrawal. The step up is 4% if the first withdrawal is taken before the age 65 anniversary (the highest anniversary value step up is dropped).

A "no lapse guarantee" kicks in at annuitization if the account value falls to zero. An automatic conversion feature turns the benefit into a lifetime GMWB with either a 5% withdrawal of the benefit base or 6% of the account value, whichever is higher. (A joint life option is available as well). The benefit is applied to the Accumulator 13 contracts.

AXA's new version of the GMIB II costs 1.30% (up from 1.25%) and guarantees a benefit based to annuitize after a 10-year waiting period. A 5% step up works until age 85 or first withdrawal. The step up is 4% if the first withdrawal is taken before the age 65 anniversary. A "no lapse guarantee" kicks in at annuitization if the account value falls to zero. An automatic conversion feature turns the benefit into a lifetime GMWB with either a 5% withdrawal of the benefit base or 6% of the account value, whichever is higher. (A joint life option is available as well). The benefit is available with the Accumulator 13.0 contracts.

Forethought Financial issued its first variable annuity contract, the ForeRetirement VA (B-, C-, and L-

shares). The fee for the B-share is 1.15% which includes a 0.50% premium-based charge. The contract offers a Lifetime GMWB with an age-banded withdrawal percentage (5% for a 65 year old; 4.5% in the joint-life version) and two types of step ups: a highest anniversary (based on highest daily value) and a 6% fixed annual step up for ten years. The rider fee is 1.25%. There is also a second Lifetime GMWB with similar withdrawal and step up features and a highest anniversary (based on highest annual value) step up for a fee of 1.05%.

Hartford offered a cash buyout to current contract holders as a way to reduce exposure on their books. Owners of the Lifetime Income Builder II rider were offered the greater of the contract value on the surrender date, or, if the account is underwater, the contract value plus 20% of the benefit base (capped at 90% of the benefit base). Contracts affected include the Director M series and the Leaders series.

Nationwide increased the withdrawal percentage of the joint version of its Lifetime GMWB benefit called "7% Lifetime Income Rider" in January. It is also increasing the fee to 1.50% from 1.20%. A 65-year old will now get 4.75%, up from 4.5%.
Ohio National decreased the step ups and some withdrawal percent- ages on their GLWB Plus (joint version). The withdrawal percentage dropped .25% for a 591⁄2 year old and dropped 0.5% for a 65 year old. The step up dropped to 6% from 7%.
Pacific Life closed the CoreIncome Advantage 5 Plus joint rider in March. Earlier, in February, Pacific Life increased the fee to 1.35% from 1.00%.

Principal lowered the issue age for its Lifetime GMWB to 55. It created a new withdrawal age band on the GLWB for 55–59 year olds of 4.5% (single) and 4.0% (joint).

Prudential issued new versions of the Premier Retirement Series. It raised the fee on its Premier Retirement contract by 15 bps to 1.45% for the B-share. The new version of the Lifetime GBWB (HD Lifetime Income v2.1) drops the withdrawal percentage for a 65 year old to 4.5% from 5% (single) and eliminates the deferred benefit base bonus step up that previously doubled the benefit base after 12 years of no withdrawals.

Prudential also released the unique Defined Income variable annuity as a B-share for a 1.10% fee. The product offers a Lifetime GMWB with a withdrawal rate that ranges from 3% to 7% (single) or 2.5% to 6.5% (joint) for a fee of 0.80%. There is a step up of 5.5% annualized based on the highest daily value. The subaccount option is a long-duration bond fund. Prudential maintains the ability to adjust the step up and withdrawal percentage as needed on new business.

SunAmerica changed its name to American General. The firm is still using the SunAmerica brand name for some of its contracts, including the Polaris line. SunAmerica dropped the step up on its SA Income Builder-Dynamic Options (single and joint) to 6% from 8%. In addition, the carrier changed from an age-banded lifetime guaranteed structure to a straight 5.25% guaranteed withdrawal (older owner at first withdrawal) for single life. The joint version now offers a straight 4.75% lifetime withdrawal that replaces the prior age-banded structure. The carrier also raised the issue age to 65 from 45 on the single and joint versions.

SunAmerica decreased the withdrawal percentage on the SA Income Plus (Dynamic Options 1 and 2)

Lifetime GMWB. The withdrawal percentage is now 5.0%, down from 5.5% (single) and 4.5%, down from 5.0% (joint) for the age-band from 45–64. The 65+ age band remains the same. SunAmerica also limited the purchase payment calculation to only include first year purchase payments, down from the first two years of payments. This applies to the Income Plus-Dynamic Options 1–3 and the custom option (Lifetime GMWBs).

SunLife sold its U.S. variable annuity business to Delaware Life Holdings, owned by Guggenheim Partners. This adds to Guggenheim's variable annuity block of business from Security Benefit. The sale included Sun Life's U.S. domestic variable annuity, fixed annuity and fixed index annuity products.

VALIC decreased the lifetime withdrawal percentage on the IncomeLOCK Plus 6-Dynamic Option 1 and Option 2. The single life dropped from 5.5% to 5.0% for the 45–65 age band. The joint life withdrawal is now 4.5% down from 5.0%. The 65+ age band remains the same.

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