
VA Update from Ernst & Young

By Editor Test *Wed, May 18, 2011*

Leading up to the May 1 deadline for contract changes, issuers continued to tinker with every aspect of their contracts--to reduce overall risk and to align their compensation formulas with advisor preferences.

Allianz Life and Sun Life rolled out fee-based variable annuities in the first quarter of 2011, while John Hancock, Pacific Life and Prudential Annuities introduced new guaranteed lifetime withdrawal benefits, according to the quarterly [report](#) from the Ernst & Young Retirement Income Knowledge Bank.

"Many companies have filed their 1 May updates, some multiple times," said E&Y's Gerry Murtagh in a release. Filings included:

- Hartford's new variable annuity with two new guaranteed lifetime withdrawal benefits (GLWB) and a new guaranteed minimum accumulation benefit (GMAB).
- Principal's new variable annuity with a new GLWB.
- Protective Life's new GLWB.
- Prudential's R Series of its Prudential Premier Retirement VA.
- SunAmerica's two new variable annuities.
- VALIC's new variable annuity.
- Lincoln National, John Hancock, and Ohio National filed changes for later than May 1.

Issuers continue to tinker with every aspect of the contract to reduce overall risk, and to align their compensation with advisor preferences. Changes have been made to deferral bonuses, to payout rates and age-bands, to formulas for calculating the annuity payout in GMIBs.

M&E charges are coming down in some cases to suit fee-based advisors. Allianz Life linked its payout rates to changes in the 10-year U.S. Constant Maturity Treasury rate. Companies continue to give themselves the option to raise rider fees whenever the contract owner steps up the benefit base.

Living benefits continue to hold appeal for pre-retirees worried about retirement income and market risk. E&Y cited LIMRA statistics showing that living benefits were elected on 79% of new VA sales in the fourth quarter of 2010, generating \$23.1 billion in premium. For all of 2010, VA sales with living benefits elected were \$81.1 billion, up 8% from 2009.

Assets of variable annuities with LBs rose 78%, to \$521 billion in the fourth quarter of 2010 from \$292 billion in the fourth quarter of 2009. Assets for VAs with living benefits grew to 33% from 25% of total VA assets in two years. Contracts with LB riders are more persistent than those without, resulting in more than double the 36% growth rate of total VA assets.