

Voya enters the structured variable annuity game

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Voya Financial has announced a new flexible premium deferred index-linked variable annuity, Voya PotentialPLUS. The contract, issued by Voyal Financial Insurance and Annuity Co., offers exposure to the performance of up to four major market indexes, with a buffer against downside losses.

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Owners of PotentialPLUS can allocate their premium over a stated time period across any combination of the S&P 500, NASDAQ 100, Russell 2000 and MSCI EAFE indices, or to a variable account. During the period, investors benefit from index gains, if any, up to a cap rate, and they are also protected against a drop in index performance, up to a certain level.

According to a prospectus dated December 12, 2014, the product currently offers only one-year investment terms and 10% downside buffers, but the company may offer segments of one, 3, 5, and 7-year terms and other buffer options in the future. There's an eight-year surrender period with an 8% maximum surrender charge. There is an annual separate account charge of 1.50% and an annual expense ratio of 28 basis points on assets held in the Voya Liquid Assets Portfolio, a variable account, but there are no fees assessed on investments tied to the indices.

The cap rate on the amount credited to the account will vary with the markets. According to the prospectus, "On each Segment Start Date, we will declare a new Cap Rate that is guaranteed for the Segment Term. The Cap Rate may vary by Indexed Segment. Because you will not know the Cap Rate in advance of the Segment Start Date, you should set a Rate Threshold if you do not wish to invest in an Indexed Segment with a Cap Rate below a certain rate."

According to a Voya release, "If an index goes up during the stated time period, the value associated with the indexed segment is credited by an amount up to the cap rate. If an

index goes down during that period, the indexed segment does not lose any value if the drop is 10% or less. If the drop is greater than 10%, the value is reduced — but only by the amount in excess of 10%.” The MetLife, AXA, and Allianz products use this type of buffer, which requires the client to assume the tail risk . In the CUNA Mutual product, the issuer assumes the tail risk.

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