
Voya files for 'structured' variable annuity

By Editorial Staff *Fri, Jul 18, 2014*

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ING USA Annuity, the Iowa-domiciled life insurance unit of Voya Financial (ING U.S. until its divestiture by ING NV) has filed a prospectus with the SEC for [ING Potential Plus](#), a new flexible premium "deferred combination variable and fixed annuity contract."

Like other "structured" variable annuity contracts issued in recent years by AXA, Allianz and MetLife, Potential Plus provides investors with credits based on the performance of an equity index, up to a cap, while the issuer absorbs some of the losses, depending on the size of the downside "buffer."

ING Potential Plus offers four term periods (1, 3, 5 or 7 years) and three buffer options that absorb either the first 10%, 20% or 30% of market losses. The equity index is still unnamed. The cap on interest crediting varies over time, depending on market conditions and the issuer's discretion.

The minimum premium is \$25,000 for non-qualified money and \$1,000 for non-qualified. There's an eight-year surrender period with a first-year penalty of 8% for withdrawals in excess of 10%.

Investors who want better returns than bonds currently offer but who lack the risk appetite or tolerance to invest directly in equities can use these products to hedge their bets. The products resemble fixed index annuities, but generally offer higher caps and, in return, require the investor to share a portion of the downside risk exposure.

Where FIA owners are guaranteed against any investment loss, structured VA owners typically agree to bear any loss that exceeds the buffer that they choose. For instance, if the client chooses a 10% downside buffer and the linked equity index falls 12% between the beginning and end of the chosen term, the investor loses only 2%. Generally, risk is proportional to reward: The shallower the downside buffer, the higher the cap.

Not all structured VAs offer a buffer that, in effect, caps the issuer's potential loss at 10, 20 or 30 percent. The CUNA Mutual Members Zone VA caps the *policyholder's* annual loss at 10%.

The first and most successful of the structured VAs, AXA Structured Capital Strategies, sold \$293.4 million in the first quarter of 2014, down from \$417 million in the fourth quarter of 2013.

ING Potential Plus requires the contract owner to establish a "Rate Threshold" after allocating all or part of his assets to one or more Interim Segments. When the cap on an Interim Segment's crediting rate exceeds the client's Rate Threshold, those assets are linked to the performance of the index for the designated period. Assets not allocated to an Interim Segment remain in the Liquid Assets Portfolio.

Current expenses are not yet filed. Maximum expenses were 1.50% per year (assessed on business days) on assets in the Liquid Assets Portfolio and 1.50% on assets in the Interim Segments.

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