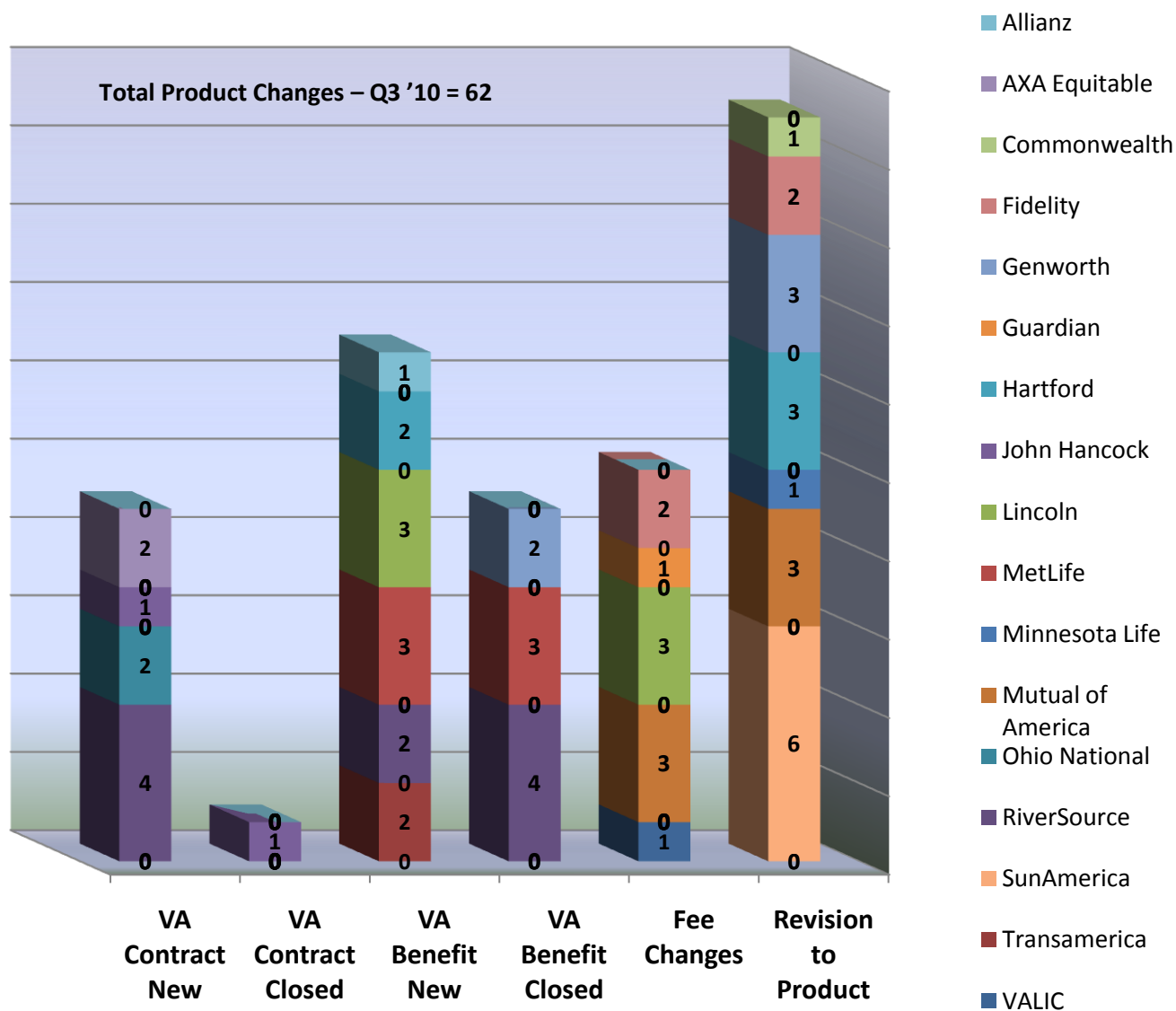


# Annuity Intelligence

## Q3 2010 Product Update

### U.S. Variable Annuity Market

#### Annuity Changes by Type



Represents product changes with "go live" dates from Jul. 1<sup>st</sup> to Sep. 30<sup>th</sup> 2010. Effective date occasionally changes per carrier. Please check with carrier for final release date.

# Executive Summary

## Continued Innovation, Continued Ratcheting Up of Benefit Levels

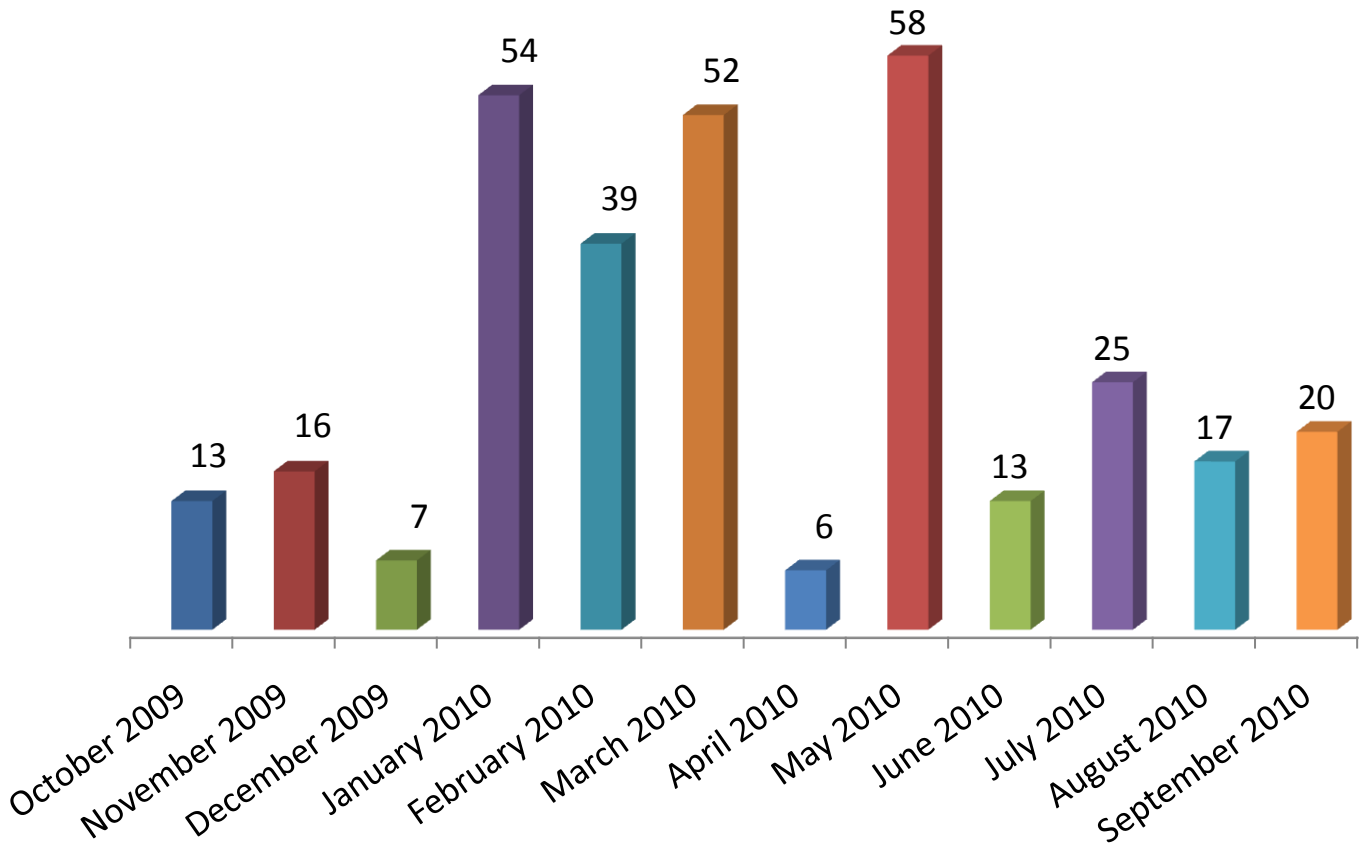
- The pace of VA product changes remained steady compared to Q2 2010. Carriers filed 62 material changes in Q3, compared to 76 changes last quarter. When benchmarking against the third quarter of 2009, filings slowed slightly (84 changes in Q3 2009). Selected carriers continued to innovate and expand their benefits.
- Nine new contracts were issued in Q3 compared to eight last quarter. RiverSource, Ohio National, John Hancock, and AXA issued new products.
- We saw a pick up in new benefits issued this quarter, with triple the number of new issues (19 this quarter versus 6 last quarter). MetLife, RiverSource, Transamerica, Sun Life and Lincoln issued lifetime benefits.
- Fee changes dropped by half, from 20 in Q2 to 10 in Q3, indicating that the majority of carriers have made their pricing adjustments in response to the new market realities.
- A Note on Innovation: MetLife released an RMD-friendly guaranteed minimum income benefit (GMIB Plus III). The benefit base steps up by the greater of 5% or the RMD amount. Withdrawals reduce the benefit base dollar-for-dollar up to the greater of 5% or the RMD amount. Our research shows that only 5% of all GMIBs are RMD-friendly, so MetLife has created a competitive feature that addresses a market gap.
- The Transamerica Income Link is a new two-tiered lifetime withdrawal benefit that offers 3.5% for life after a first-tier withdrawal period ranging from 2 to 7 years, with withdrawals ranging from 4.5% to 9.5%. Continuing last quarter's trend toward more generous benefits, Genworth increased withdrawal percentages on the existing lifetime GMWB (Income Protector) from 25 to 50 basis points for some age bands.
- The ongoing popularity of living benefits is apparent, especially the Lifetime GMWB. Nine out of the eleven new living benefits released this quarter were Lifetime GMWB benefits.

### Update to Pipeline

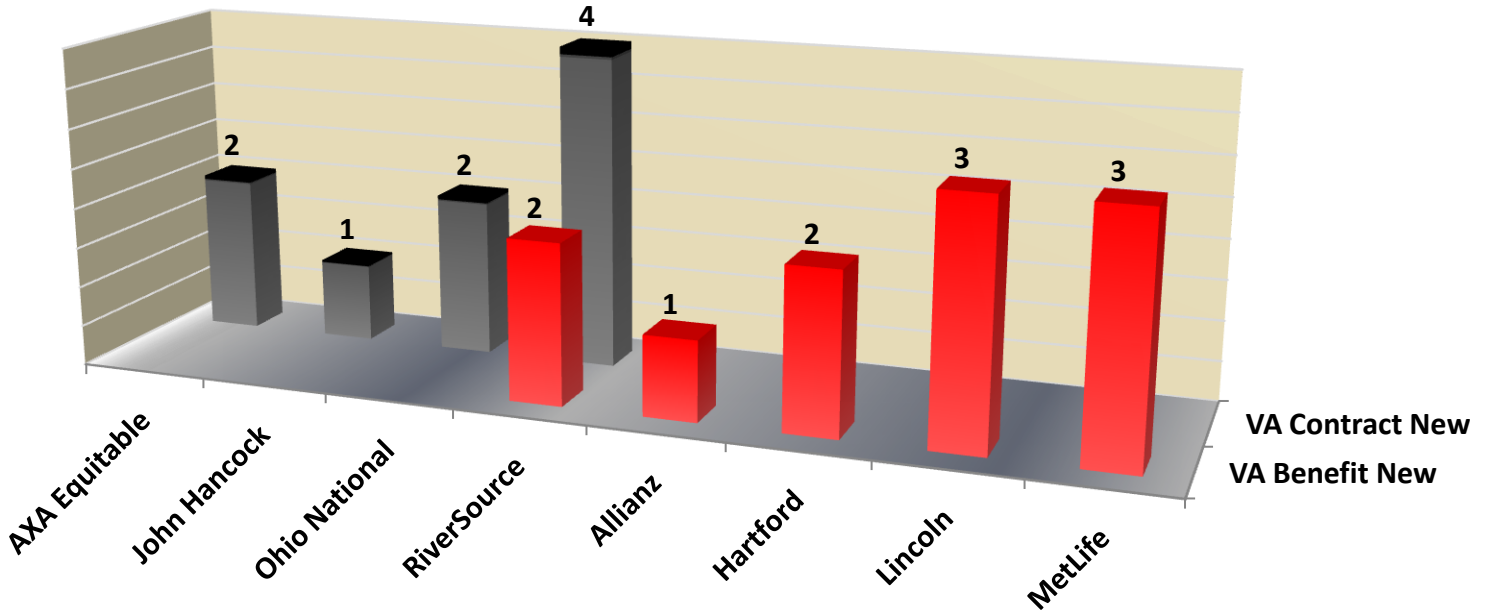
- Last quarter Allianz filed with the SEC a Lifetime GMWB with a guaranteed withdrawal percentage based not on age, but on the rate of a 10-year treasury note. This ties payouts directly to market performance, removing the age factor. The benefit has not been rolled out yet.
- Lincoln National filed a new long-term care benefit that pays a monthly amount for long-term care expenses and costs 1.26% to 1.57%, depending on options chosen (fee calculation is complicated). This benefit pays for long-term care expenses up to three-times the initial purchase amount (which must range from \$50,000 to \$400,000). Payments are offered monthly beginning after the first anniversary and are not taxable. The optional Growth feature gives the

ability to increase the monthly maximum benefit amount using a calculation based on the investment growth and the remaining benefit base. The Growth option has a step up feature through age 76. The benefit is capped at \$800,000, covers a single life, and applies only to non-qualified assets. The benefit has not been rolled out yet.

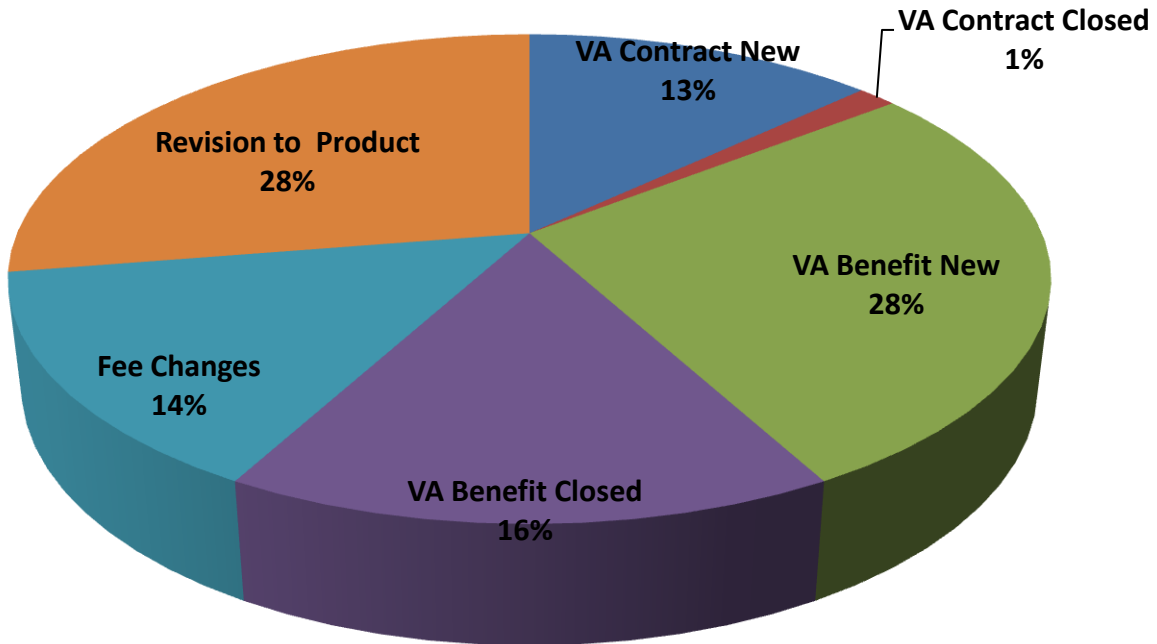
## Rolling 12 Month Annuity Product Changes



## 3rd Quarter 2010 New Contracts and Benefit by Company (Total 20)



### 3rd Quarter 2010 Annuity Changes by Type (Total 62)



### 3rd Quarter 2010 Fee Changes and Product Revisions (29)

