CERULLI QUANTITATIVE UPDATE SUBSCRIPTION

ANNUITIES AND INSURANCE 2009

This annual report, in its 3rd iteration, examines the retail annuity and variable life insurance industries, emphasizing **retirement income planning**, **product development**, and **product positioning**. As part of the Quantitative Update product line, this report is subscription-based and provides data and analyses critical for **insurers, asset managers,** and **distribution firms** developing and refining strategies to increase marketshare. The current market turmoil is discussed throughout with tactical and strategic recommendations for firms to consider. Data for this report largely comes from proprietary surveys of asset managers, insurers, and advisors.

This report allows firms to:

- Identify areas for growth in VAs and variable fund management
- Discover how peers view the future of product development, variable insurance asset management, and distribution
- Develop retirement income strategies
- Formulate products for advisors across channels, practice types, and investor core markets

This report contains 186 exhibits and includes the following chapters:

1. Annuities and Life Insurance Market Overview
2. Annuities and Insurance in Retirement Income Planning
3. The Retirement Marketplace
4. Variable Annuities
5. Variable and Fixed-Indexed Universal Life Insurance
6. Variable Insurance Fund Management
7. Fixed and Fixed-Indexed Annuities
8. Long-Term Care Insurance
9. Fees and Expenses
10. Distribution
11. Wholesaling and Product Support
12. Emerging Product and Distribution Opportunities

Table of contents, user examples, and sample exhibits are included in this attachment

INSIDE LOOK:

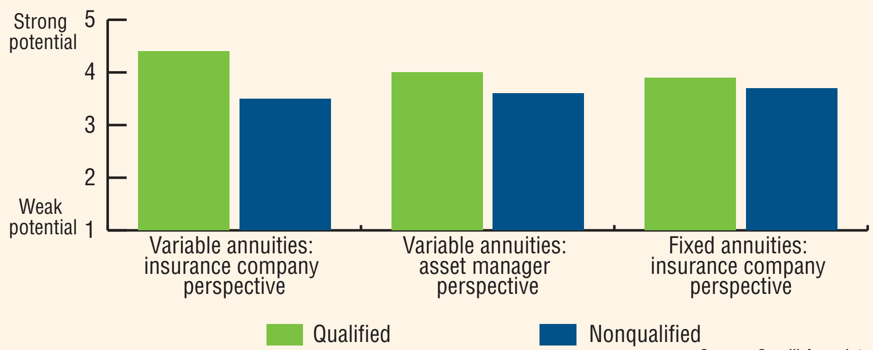
Key findings:

- Asset managers rate domestic fixed income the strongest areas for immediate growth potential in VA fund management.
- Advisors consider investment options, financial-strength rating, pricing, and living benefits as the top criteria when selecting an insurer.
- Asset managers rate wholesaler relationships and participation in due diligence meetings as the most important factors in bolstering relationships with VA distribution firms.
- Most advisors cite principal protection as the primary reason they recommend annuities to their clients.
- RIAs show evidence of slowly warming to using immediate annuities.

Exclusive data:

- **NEW:** Living benefit risk mitigation in the current economic environment
- Annuity industry marketsizing projections, 2009E-2013E
- Advisor assessments of annuity and insurance products
- Headcounts of wholesaling, marketing, and support personnel

Sample Exhibit: Qualified and Nonqualified Annuity Growth Opportunities, Asset Manager and Insurer Perspectives, 2009



Source: Cerulli Associates

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New in 2009: Quantitative Updates are now subscription based and include online access to a database of prior annual releases of this report and related Thematic Reports.

See page 3 for more details.

Cerulli Associates
Boston • Singapore • London

April 2009

USER EXAMPLES:

The following are examples of how this report can be applied to business planning and strategic decision-making:

Scenario 1: An insurance firm wants to strengthen its distribution relationships by delivering a strong value-add program for its wholesalers to use with advisors. It has identified the rollover marketplace as a focus. It must present a strong business case to management in order to get the funding to develop this program and is seeking third-party validation on what the trends are related to annuity distribution. ***Cerulli Quantitative Update: Annuities and Insurance 2009*** provides answers to the following questions:

- What are the biggest growth opportunities as perceived by insurance executives? (Exhibit 1.09)
- How are advisors viewing immediate and deferred annuities as solutions for their clients' rollovers, and which channels offer the strongest opportunities? (Exhibit 2.10, 10.20)
- Which advisor segments are the most inclined to consider the wholesaler relationship as integral to the selection of an annuity provider? (Exhibit 11.01)

Scenario 2: A large asset management firm is assessing its variable insurance fund offerings for this market and is seeking strategic research on the trends. ***Cerulli Quantitative Update: Annuities and Insurance 2009*** provides answers to the following questions:

- What is influencing asset managers to develop new products for the variable insurance marketplace? (Exhibit 6.09)
- Which fund categories are expected to grow the fastest over the next 1-3 years, and which are insurance companies most likely to add to their lineups? (Exhibit 6.13)
- What are the prospects for alternative asset classes, and how have these changed in the past year? (Exhibit 6.12, 6.16)

Scenario 3: An independent broker/dealer is feeling the effects of the market on its fee-based business and wants its advisors to focus on annuity and insurance sales as a way to sustain their business as their asset bases decline. ***Cerulli Quantitative Update: Annuities and Insurance 2009*** provides answers to the following questions:

- How are advisors using annuities with their clients? (Exhibit 2.02, 10.19)
- What are the selling points that advisors focus on when positioning annuities with their clients? (Exhibit 10.17)
- How are insurance firms managing risks associated with guarantees? (Exhibit 4.09)

MORE INFORMATION:

To learn how to apply this report to your firm’s unique needs, please contact:

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ANNUITIES AND INSURANCE 2009

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NEW: Quantitative Updates are now subscription-based and include online access to a database of prior annual releases of this study and other related Thematic Reports.

A subscription to ***Cerulli Quantitative Update: Annuities and Insurance 2009*** remains active through 7/30/2010 and includes online access to the five related reports below at no cost. See the green Purchase tab on www.cerulli.com for more information on these reports.

- Cerulli Quantitative Update: Annuities and Insurance 2008
- Cerulli Quantitative Update: Insurance 2007
- Insurance Product Distribution Opportunities 2006
- Retirement Income: Positioning for Success 2005
- Wealth Transfer: Product and Advice Solutions 2004

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Special Feature:

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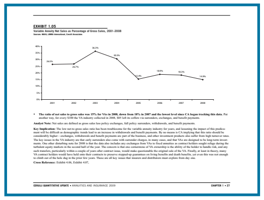
Go to Reports and click on 'view' next to the report title.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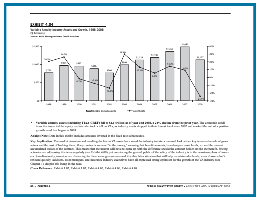
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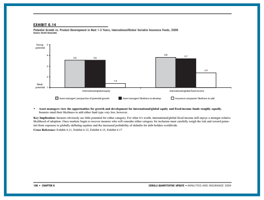
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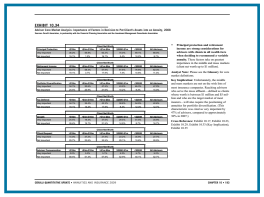
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Introduction & Methodology

Cerulli Quantitative Update: Annuities and Insurance 2009, the third iteration of an annual series, is the outcome of ongoing research and analysis of the retail insurance marketplaces by Cerulli Associates (CA). The report focuses on three key areas—retirement income planning, product development, and distribution. ***Cerulli Quantitative Update: Annuities and Insurance 2009*** leverages CA's continuous analysis of the annuity, variable life insurance, and long-term care insurance industries.

Cerulli Quantitative Update: Annuities and Insurance 2009 is intended to serve as a stand-alone—as well as a complement—to our other publications. Each exhibit highlights key data and commentary, including the important tactical ramifications for insurers, asset managers, and broker/dealers servicing the insurance market. In addition, most exhibits contain cross references to other related charts in this publication. The report is designed as a business planning tool, and additional support leveraging this data is also available.

CA analysts' opinions and perspectives are shaped by a robust methodology based on three components:

- **Industry understanding:** All CA analysts come to the firm with a background shaped by relevant experience at leading financial services firms, which contributes to the internal pool of industry knowledge fed by more than 10 years of proprietary research and consulting
- **Quantitative analysis:** CA independently maintains an online, password-protected survey engine as part of a voluntary, information-sharing relationship whereby participants complete confidential surveys in exchange for an aggregate summary of key findings. All information is presented in aggregate form, and proprietary survey information is not directly attributed to participants.
- **Qualitative research:** CA analysts annually conduct background research interviews with industry executives in a confidential format allowing for open dialogue about the current state and future outlook for the industry. This provides a means for synthesizing the other components of our methodology into research products that are independent, insightful, and grounded in the industry's current climate.

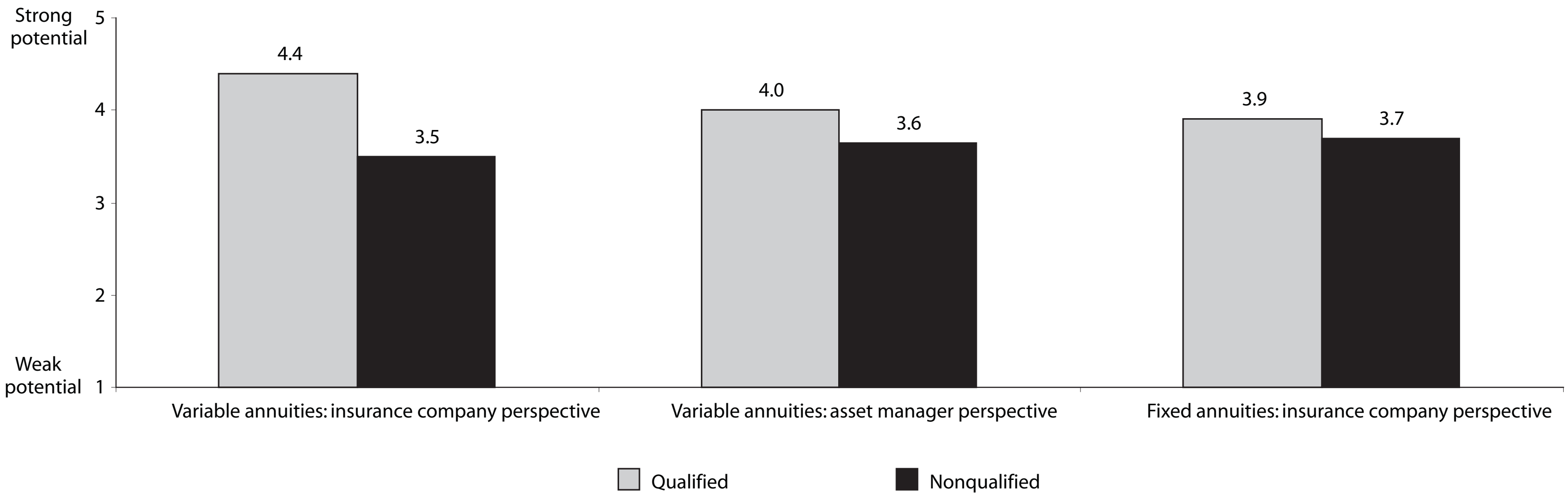
Proprietary surveys of insurance company and asset management executives, conducted in the first quarter 2009, serve as the foundation of the report. Also included are the results of our ongoing surveys of financial advisors as they pertain to annuities, variable life insurance, and retirement income, most recently conducted in the third and fourth quarters 2008. Additionally, CA analysts held research interviews with broker/dealer executives in first quarter 2009 to complement the overall survey findings. In addition to proprietary survey data and interviews, CA analysts compiled information available through third parties (including NAVA—The National Association for Insured Retirement Solutions, LIMRA International, Strategic Insight/SIMFUND VA, Beacon Research, Advanced Sales Corporation, and the American Association for Long-Term Care Insurance), government entities (such as the Federal Reserve), and financial publications (such as Advantage Compendium, National Underwriter, and Agent's Sales Journal).

SAMPLE SECTION
from

CERULLI QUANTITATIVE UPDATE: ANNUITIES AND INSURANCE 2009

EXHIBIT 1.09

Qualified and NonQualified Annuity Growth Opportunities, Asset Manager and Insurer Perspectives, 2009
Source: Cerulli Associates



- **Qualified VAs are viewed as having considerably strong growth potential by insurance company executives,** garnering an average score of 4.4 on a 5-point scale according to respondents to CA's annual survey. Asset managers also foresee strong growth, rating an average score of 4.0.
- **There is less distinction on the fixed annuity side in terms of qualified versus nonqualified growth opportunities.** Even so, prospects for growth remain strong, buoyed by the momentum fixed annuities experienced starting in 2008.

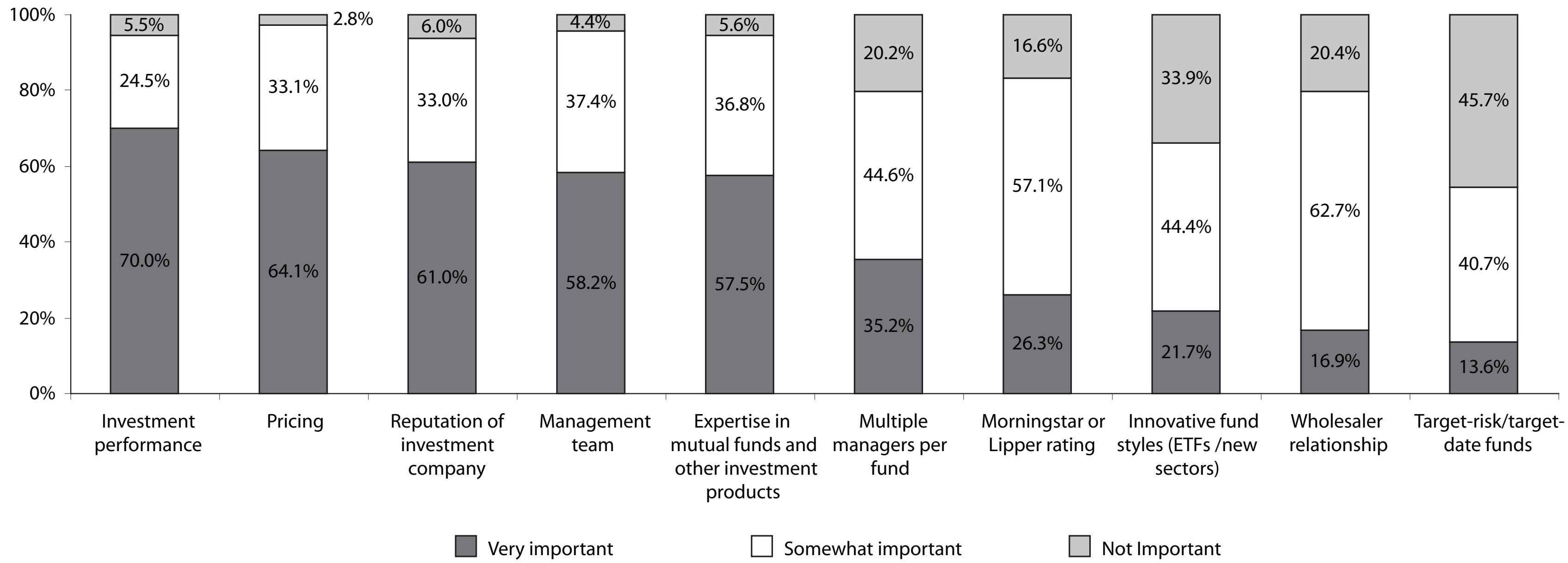
Key Implication: The wide disparity between insurers' assessment of growth potential of qualified VAs (4.4) and nonqualified VAs (3.5) is a strong indicator of the industry's fervent hope to generate sales from rollover dollars. The results of our proprietary advisor survey (see Exhibit 2.10) support this notion, as 49% of advisors will consider both immediate and deferred annuities for a portion of their clients' rollover dollars, up from 41% in 2005. Yet, the VA industry can not become complacent—there are still critical issues that must be addressed, including expenses, taxation, and liquidity pertaining to guaranteed withdrawal riders and other retirement income applications of the product.

Cross Reference: Exhibit 1.08, Exhibit 2.10

EXHIBIT 6.03

Importance of Factors in Advisor Selection of Variable Annuity Underlying Funds, 2008

Sources: Cerulli Associates, in partnership with the Financial Planning Association and the Investment Management Consultants Association



- **A majority of advisors viewed investment performance, pricing, and company reputation as the three most crucial attributes they consider when evaluating a fund within a VA.** Target-risk and target-date fund offerings ranked as the least important factor, with almost half of advisors considering this fund selection criterion as trivial.

Key Implication: For the majority of advisors surveyed, past performance is indicative of future results. Over the short run, this investment mindset has undoubtedly exposed clients to heavy allocations in risky asset classes that were decimated by the recent market downturn. Nonetheless, professional money managers responsible for tactical allocation for target-date funds also fell victim to the allure of strong equity returns from 2003 onward, as indicated by the lackluster performance of 2010 funds. According to a recent Ibbotson report, the 2008 losses for target-date funds ranged from 3.6% to 44.5%. The majority of fund managers argued they were managing portfolios for 10 year, 15 years, or more past the target date, and in that context a 30% or greater exposure to equities is defensible. However, recent consumer surveys conducted by CA show that a significant proportion of clients do not plan to leave their assets at their former employer upon retirement or are undecided in this regard. Also, the embedded advice intrinsic to target-risk and target-date funds result in a level of disintermediation for advisors that is unbearable, hence relatively low ratings.

Cross Reference: Exhibit 6.01, Exhibit 6.02