



CERULLI QUANTITATIVE UPDATE SUBSCRIPTION

ANNUITIES AND INSURANCE 2010

In its fourth iteration, this annual report showcases Cerulli's ongoing analysis of the variable annuity (VA), variable life, and long-term care industries. It provides insight into retirement income, product development, and distribution trends impacting insurers, asset managers, and broker/dealers. It also includes extensive coverage of advisors across channels and their annuity and insurance product usage.

Cerulli conducts ongoing surveys of insurance firms, asset managers, and broker/dealers via a partnership with the Insured Retirement Institute (IRI). Proprietary surveys of advisors also contribute to the data in this report.

This report allows firms to:

- Arm wholesalers with actionable sales ideas
- Create products for sales through advisors not currently using annuities
- Understand the characteristics of advisors most receptive to using insurance products
- Consider emerging distribution strategies such as worksite, UMAs, and private placement annuities
- Emphasize characteristics valued by advisors: principal protection, retirement income, and financial strength
- Identify trends that will drive the VA subadvisory business

This report contains 189 exhibits and includes the following chapters:

1. Annuity 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:

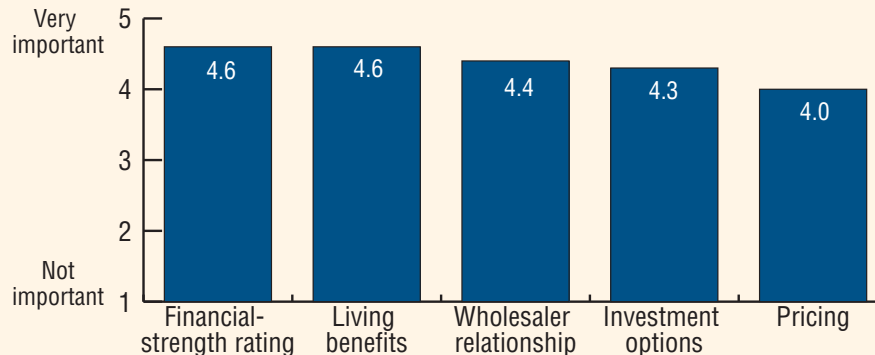
Key findings:

- Nearly 60% of advisors consider both immediate and deferred annuities for a portion of rollovers, up from 41% in 2005.
- A full 80% of advisors indicate that financial-strength rating is the primary factor when vetting VA carriers.
- Insurers have not embraced passively managed investment options to the degree expected by asset managers.
- Less is more in a summary prospectus—83% of broker/dealers think that the ideal length is less than 10 pages.

Exclusive data:

- New: Insurance general accounts
- New: Simplified VA opportunities
- Wholesaling metrics
- Advisor use by channel, practice type, and core market
- Fees and expenses
- Subadvisory trends

Sample Exhibit: Top Factors in Broker/Dealer Selection of VA Provider, 2010



Sources: Cerulli Associates, in partnership with the Insured Retirement Institute



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See page 3 for more details.

Cerulli Associates
Boston • Singapore • London

April 2010



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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 is starting a marketing campaign where they will highlight the use of annuities as retirement income vehicles. This insurance firm needs more information on how advisors are currently developing retirement income plans for their clients. *Cerulli Quantitative Update: Annuities and Insurance 2010* provides answers to the following questions:

- How have advisors changed their retirement income strategies over the past year?
- What living benefits are most important for advisors?
- What types of advisors are most likely to use annuities as a rollover vehicle?
- What product features are essential elements of simplified annuities?

Scenario 2: A VA provider is looking to increase its distribution via a stronger wholesaling team. It wants to compare its salesforce to its peers' and make its wholesalers more effective. *Cerulli Quantitative Update: Annuities and Insurance 2010* provides answers to the following questions:

- What is the average number of wholesalers per firm?
- What are the aspects of a successful sales idea?
- What types of advisors are most receptive to wholesalers? Least receptive?
- How do advisors choose a variable annuity provider?
- How do insurers select distribution partners?

Scenario 3: A mutual fund manager is interested in managing subaccounts for variable insurance products. They need more background on the major players in this marketplace and the types of funds poised to grow in the next three years. *Cerulli Quantitative Update: Annuities and Insurance 2010* provides answers to the following questions:

- What factors are most important to insurance firms when selecting a variable product fund manager?
- Who are the fast-growing variable insurance fund managers?
- What are advisor attitudes on passive and active management?
- How do insurers feel about the growth prospects of subaccounts that invest in alternative investments?

MORE INFORMATION:

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A subscription to *Cerulli Quantitative Update: Annuities and Insurance 2010* remains active through 7/30/2011 and includes online access to the seven 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 2009
- Cerulli Quantitative Update: Annuities and Insurance 2008
- Cerulli Quantitative Update: Insurance 2007
- State of the Variable Insurance Industry: Strategic Implications for Asset Managers and Insurers 2007
- Insurance Product Distribution Opportunities 2006
- Retirement Income: Positioning for Success 2005
- Wealth Transfer: Product and Advice Solutions 2004

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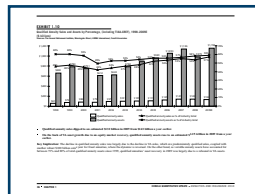
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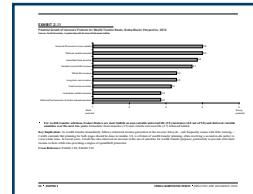
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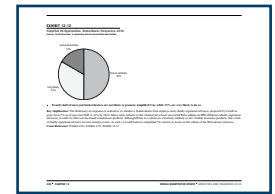


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CERULLI ASSOCIATES

One Exeter Plaza
 699 Boylston Street
 Boston, MA 02116
 Tel: +1 617 437 0084

28 Maxwell Road
 Singapore 069120
 Tel: +65 6327 4045

11-15 Betterton Street
 London WC2H 9BP
 Tel: +44 20 7470 8817

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INTRODUCTION AND METHODOLOGY

Cerulli Quantitative Update: Annuities and Insurance 2010, the fourth 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 2010* leverages CA’s continuous analysis of the annuity, variable life insurance, and long-term care insurance industries.

Cerulli Quantitative Update: Annuities and Insurance 2010 is intended to serve as a standalone—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 15 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 executives, variable annuity asset managers, and broker/dealers, conducted in 1Q 2010, serve as the foundation of the report. CA partnered with the Insured Retirement Institute to distribute our annual survey, effective with the 2010 edition. 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 3Q 2009. In addition to proprietary survey data and ongoing executive interviews, CA analysts compiled information available through third parties (including the Insured Retirement Institute, Beacon Research, Advanced Sales Corporation, LIMRA International, Strategic Insight/SIMFUND VA, and the American Association for Long-Term Care Insurance), government entities (such as the Federal Reserve), and financial publications (such as National Underwriter and Agent’s Sales Journal).

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SAMPLE SECTION

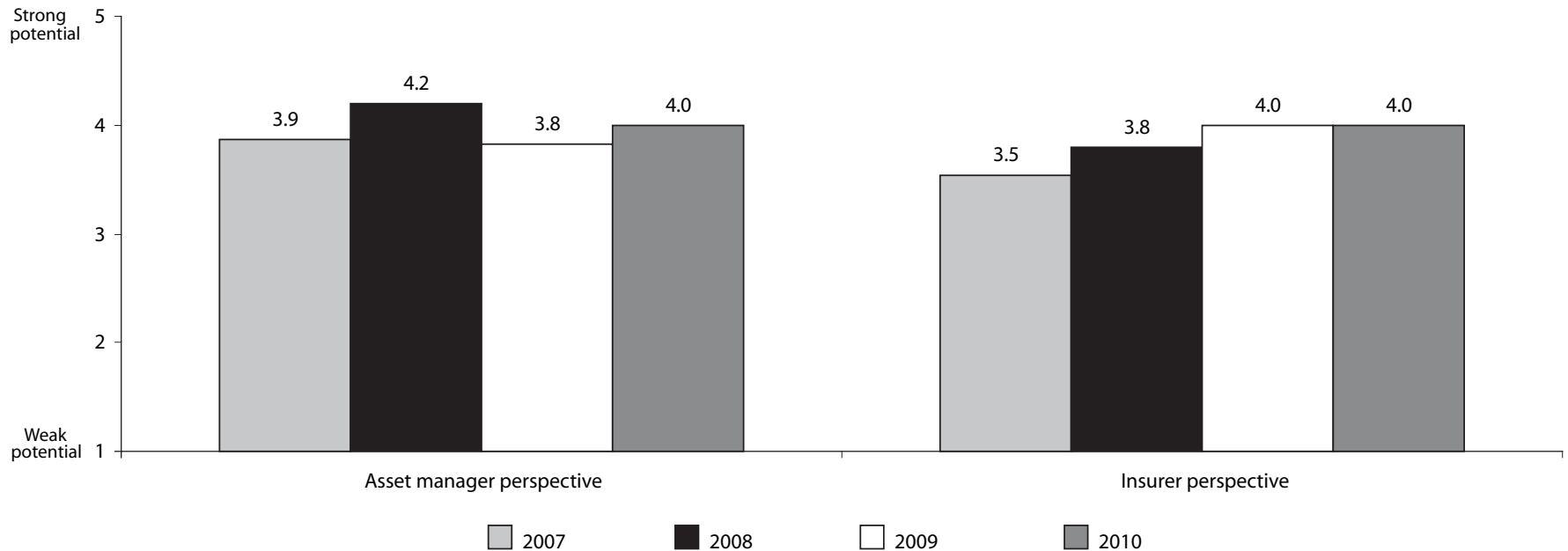
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**CERULLI QUANTITATIVE UPDATE:
ANNUITIES AND INSURANCE 2010**

EXHIBIT 4.02

Deferred Variable Annuity Growth Opportunities, Asset Manager and Insurer Perspectives, 2007-2010

Sources: Cerulli Associates, in partnership with the Insured Retirement Institute



- **Despite the challenges facing the industry, the outlook for growth of deferred variable annuities in the next one to three years is viewed as moderately strong**, according to respondents to CA's annual Annuity and Insurance survey. On average, both insurance company and asset management executives rated growth prospects as a 4.0 out of 5.0, similar to results seen in the past two years, and considerably higher than insurers' outlook for other variable products.

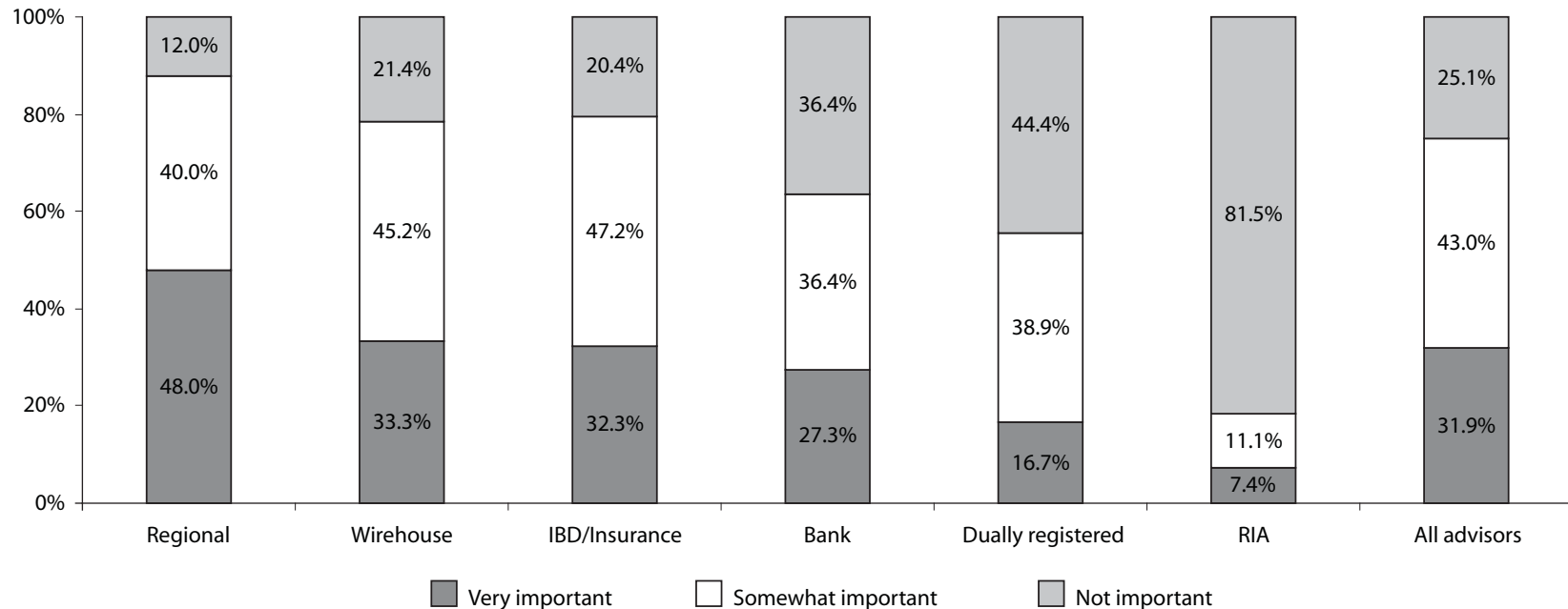
Key Implication: Demographic need has tremendous potential to drive VA sales, given the need for guaranteed lifetime income and principal protection that can be provided only by an annuity. Yet, Cerulli cautions industry executives to not place too much emphasis on the relationship between these attributes and VA sales success. As we will see in Exhibit 4.09, net sales are faltering, and have been for several years. Additionally, the VA industry will come up against a greater number of competitors in the next few years, as providers of target-date funds, managed payout funds, and managed accounts go after the same demographic.

Cross Reference: Exhibit 1.07, Exhibit 4.09, Exhibit 11.06, Exhibit 11.07

EXHIBIT 11.01

Advisor Segments Most Likely to Consider Wholesaler Relationship as Key Criterion in VA Provider Selection, 2009

Sources: Cerulli Associates, in partnerships with the College for Financial Planning, the Financial Planning Association, the Investment Management Consultants Association, and Morningstar



- **Nearly half (48%) of advisors in the regional broker/dealer channel consider wholesaler relationships as a key criterion in their selection of a variable annuity (VA) carrier, more than any other channel.** Conversely, 82% of RIAs find no value in VA wholesalers. This is not surprising, given the low adoption rate of variable annuities by advisors in this channel.
- **Overall, 32% of all advisors rate VA wholesaling a very important part of their product selection process.** Advisors for regional broker/dealers find the greatest value from VA wholesalers as they are less likely than wirehouse broker/dealers to be supported by in-branch insurance specialists, and do not have the VA legacy found in independent and insurance channels.

Key Implication: Even as advisors were lukewarm in their opinion of wholesaler relationships, insurers rated this element highly in their selection of a distribution partner, indicating some much-needed attention to this area by insurers. CA contends that VA wholesaling must evolve to incorporate product positioning—not product pitching—as a central element, in order for wholesalers to successfully capture advisors who infrequently use variable annuities.

Cross Reference: Exhibit 10.01