



Cerulli Special Report: Evaluating Your Variable Annuity Product Line

Report Cost:
\$6,000

Overview

The variable annuity (VA) industry is at a pivotal point in its history, as years of reactionary product development are beginning to give way to a new era of stabilization and rationalization. Key challenges in this new era include optimizing individual components of the VA, implementing lessons learned from the market crisis with regard to risk management, and revisiting the role of wholesaling.

In this Special Report, readers will learn how to critically assess their current VA product line. This includes analyses of benefit levels, investment options, expenses, and new industry trends. Central to the report is its examination of the influence of key VA features on sales success.

This report answers the following questions:

- How will product development evolve, and which elements are most critical?
- How should insurers structure their product lineup and benefits?
- How much are contract holders willing to pay for high-quality asset management?
- How will product development wars impact future design and positioning?
- What are the prospects for simplified annuities?

With 55 pages and 40 exhibits, this report contains the following sections:

Executive Summary

Chapter 1: Product Development Wars Revisited

Chapter 2: Evaluating Variable Annuity Product Lines

Chapter 3: Living Benefits – Lessons Learned

Prognosis

About Cerulli Special Reports: Throughout the year, Cerulli analysts release timely research on current topics. The flexible nature of *Special Reports*, shorter than our *Thematic Reports*, provides firms with Cerulli's analysis, assessment, and opinions on the industry's most urgent topics and trends.

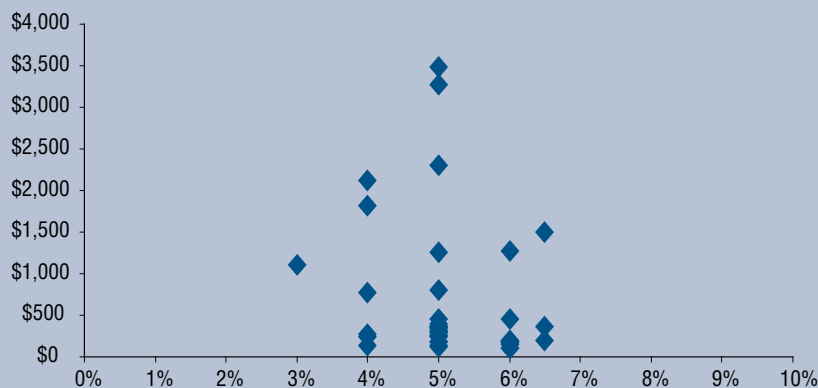
KEY FINDINGS:

- The most comprehensive benefit designs are not necessarily the most effective in generating assets.
- There is little evidence that comprehensive living benefits help curb exchanges to a significant degree.
- Going back to basics is a viable strategy, especially when analyzing death benefits, bonus features, lifetime withdrawal benefits, and number of underlying subaccounts.
- Investment options will remain critical components of VA product design, but insurers should consider hedgeability and net performance as more valuable than cost alone.
- Product line rationalization must extend to the wholesaling function. Advisors are still reluctant to offer annuity guarantees to reduce risk in clients' portfolios.

SAMPLE EXHIBIT:

Variable Annuity Product-Level Sales by Rising Floor Death Benefit Percentage, 3Q 2009 YTD (\$ millions)

A 5% rising floor tends to result in the greatest sales levels, yet a 4% rate can also be effective for insurers.



Sources: Morningstar Direct, Cerulli Associates

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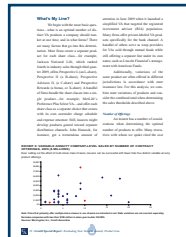
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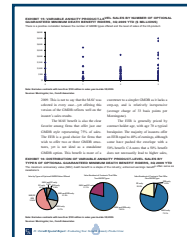
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