



VA Trends Around the Globe

The Actuaries' Club of Boston and Hartford/Springfield
Joint Meeting
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Agenda

- International Retirement Survey
- United States Market and Product Trends
- United Kingdom Unit-Linked Investment Bond Market
- Japan Variable Annuity Market

International Retirement Survey

- Sources:

- The Hartford's International Retirement Survey
- A bylined article by Liz Zlatkus on this survey published in the November issue of LOMA's Resource Magazine

- Survey Data

- Men and women ages 45 and older who are responsible for making the financial decisions for their households
- U.S. – 757 respondents
- Japan – 1,040 respondents
- United Kingdom – 756 respondents



Global Dynamics That Affects VA Product Design

- Global Worrying

- 7 in 10 people in the U.S. and U.K. have at least some concerns about a lack of cash at retirement.
- In Japan, 9 in 10 say that have at least some concern. 6 in 10 are extremely or very concerned.



Global Dynamics That Affects VA Product Design

- Governmental Programs

- U.S.

- » 53% of respondents ranked Social Security as their 1st or 2nd expected source of retirement income.
 - » ... yet... 50% doubted that Social Security would provide sufficient income to retire on.

- Japan

- » Lowest ratio of workers to retirees in the developed world.
 - » 54% of respondents still see the Government as the #1 or #2 source of retirement income.
 - » Only 2% of respondents were extremely or very confident that government stipends would be sufficient in retirement.

- U.K.

- » More focus on traditional corporate pension systems (47% cited as the #1 or #2 source of retirement income.
 - » 1 in 5 are worried that their plan is does not guarantee their payments for as long as they live.

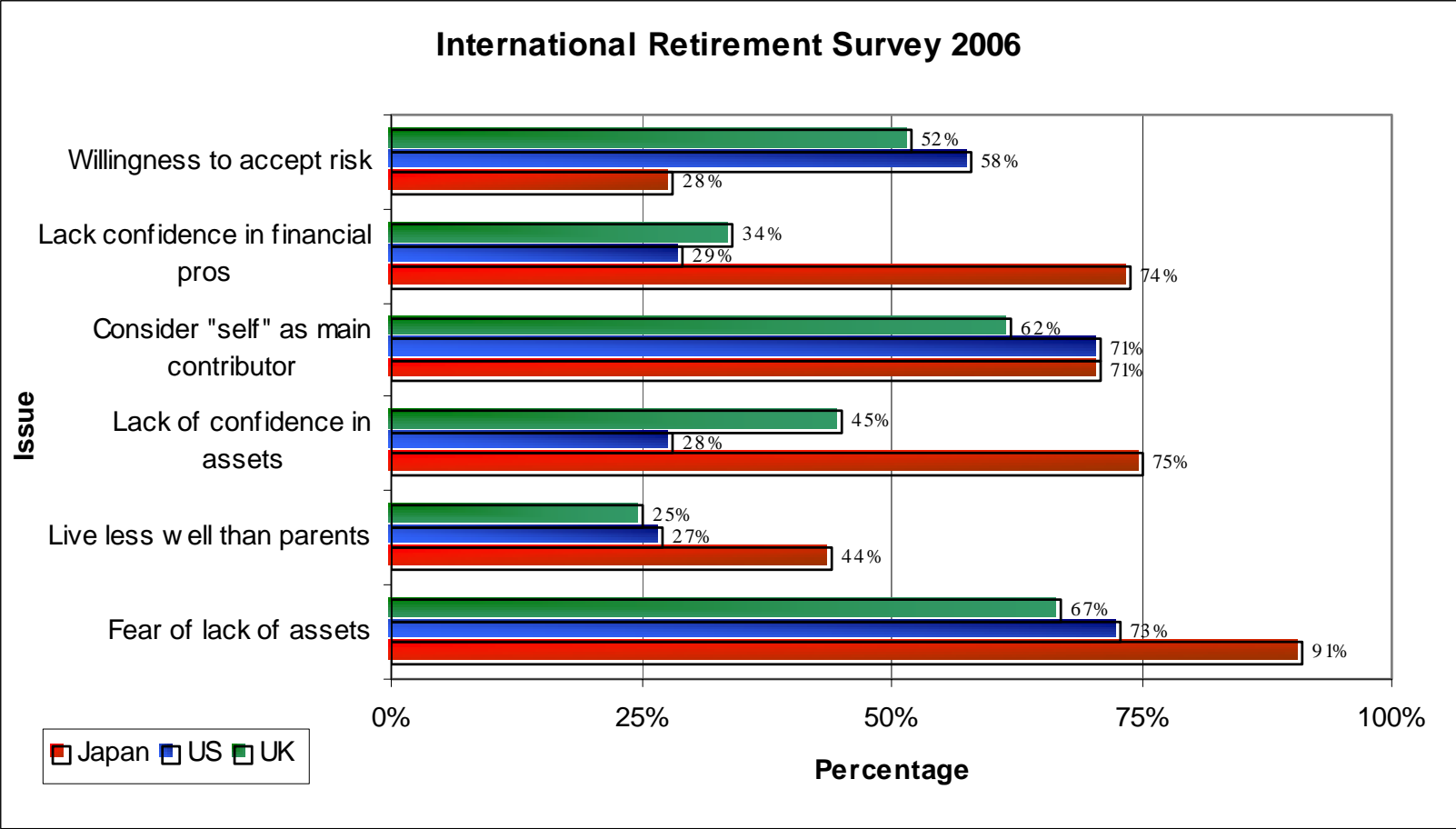


Global Dynamics That Affects VA Product Design

- Guarantees
 - We know the U.S. loves them (58% said extremely or very important)
 - 77% of Japan's respondents were in this group.
- Knowing Our Own Risks
 - 74% of people in Japan lacked confidence in their own financial planning (compared to 30% in the U.S. and 34% in the U.K.).
 - By extension, Japan showed to be more risk adverse.
 - In the U.S., 76% said they turned to a financial professional for advice. 19% said they did not know where to go.
 - In the U.K., these %'s were 46% and 13%
 - In Japan, they were 31% and 35%



Summary of Key Survey Points



What All This Means for a VA Product Actuary

- It is increasingly clear that people in the developed world will be focused on planning for their own retirement.
- Risk perspectives vary across the globe.
- Primary sources of financial advice and comfort level with financial planners can vary across the globe.
- Know the drivers of your market and your customer.



United States Annuity Market Trends



Scott Maramo

November 16, 2006

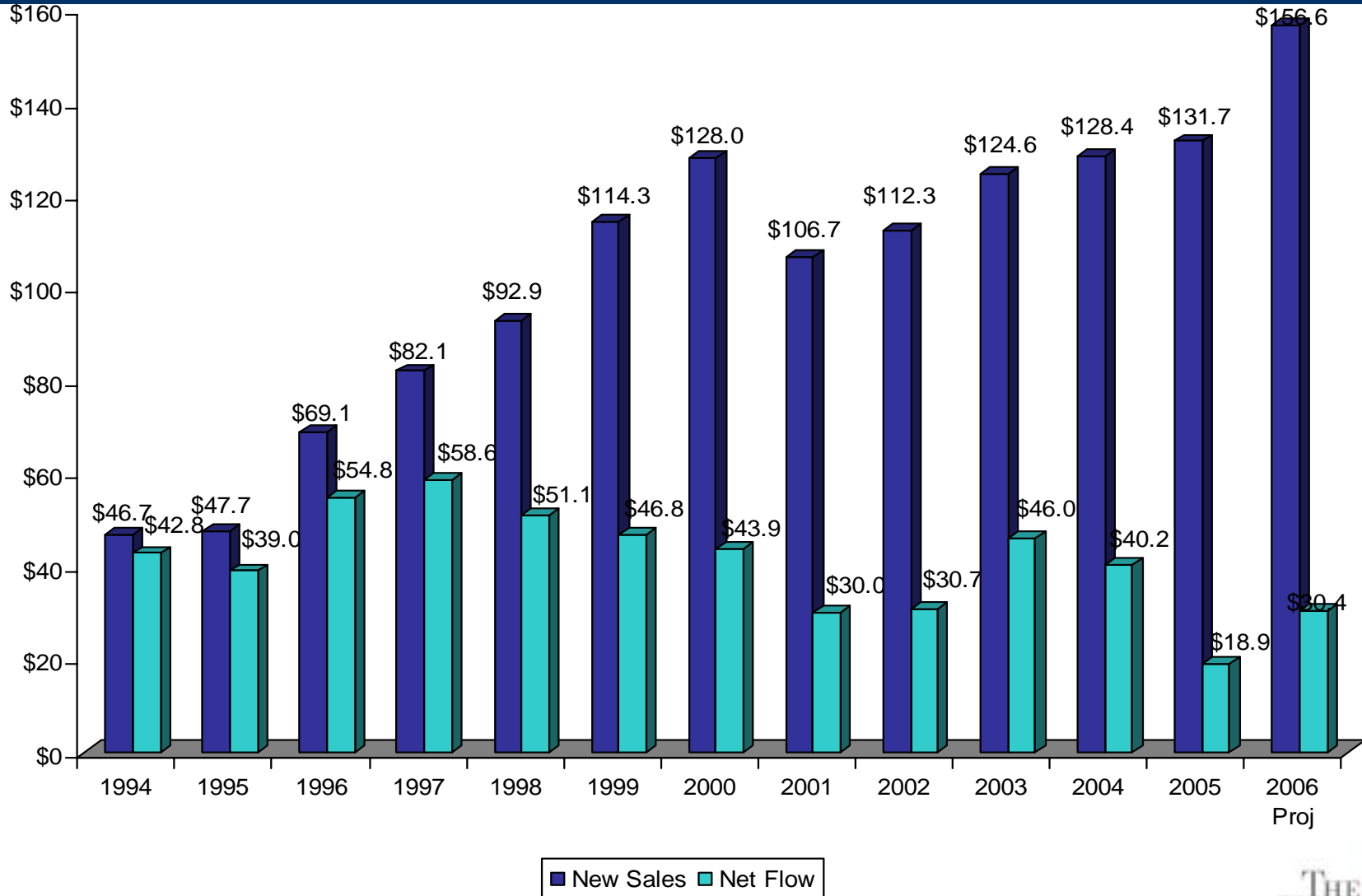


Annuities in 2005 & 2006

- Record variable annuity sales in projected in 2006 - \$156.6 billion
 - Sales benefiting from Guaranteed Living benefit offerings
 - Baby boomers entering retirement phase
- Fixed Annuity sales dropped in 2005 and projected to drop to \$63.8 billion in 2006
 - Continued flatness of the yield curve impacting MVA & book value sales
 - Regulatory uncertainty impacting Equity Index Annuity sales - projected to drop to \$24.8 billion on 2006
- Lower net cash flow remains nagging problem for variable annuity industry
 - Reasons for decline include:
 - » Withdrawals from variable annuity in qualified plans
 - » Increase in the size of 1035 exchanges and surrenders due to account balances boosted by positive returns

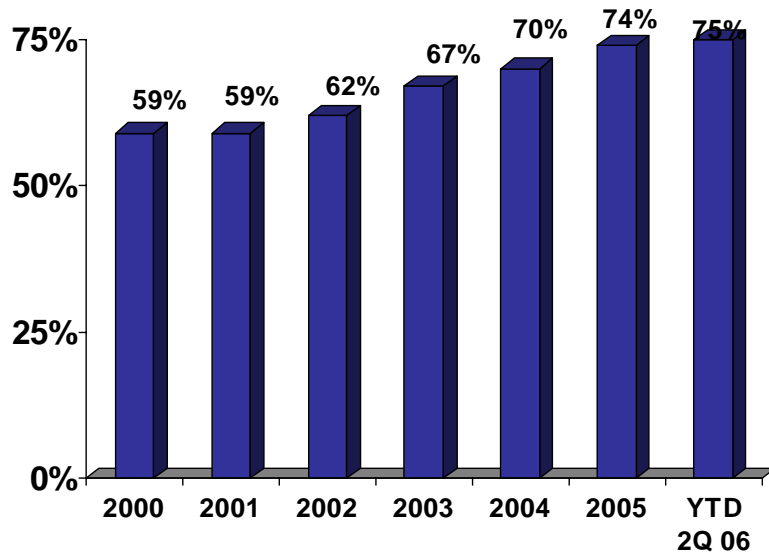


Industry VA Sales & Net Flows



Industry Variable Annuity Sales Concentration

Top 10 Companies % of Industry Sales



Key Factors

- Financial Strength
- Scale
- Innovative Products
- Sales & Marketing Support
- Service
- Long Term View

* Excludes TIAA -CREF



Annuity Market Outlook

- Retirement Market Opportunities
 - Near-retirees & retirees control almost \$14 trillion in assets
 - Retirees will be transitioning annuities from income accumulation to income distribution
 - Industry will experience an increase in withdrawal and exchange activity
- Suitability & Sales Practice issues
 - Increased complexity products and features make it difficult to select the right product for the client
 - Insurance companies may assume a greater role in the positioning of the products to the end consumer



Annuity Market Outlook

- Companies competing on product features, not pricing
 - Annuity producers not concerned with product fees, unlike Mutual Fund producers
 - Latest product feature driving the sale and product selection
- Compensation Landscape Changing
 - Firms looking at limiting commissions and policy-holder charges
 - Fee-for-service platforms beginning to offer VA's
 - » Commission negotiated and charged outside of the annuity structure
 - » “Wrap” platforms
 - » Registered Investment Advisors



Future Product Trends

- Enhanced versions of Lifetime GMWBs and New Income Solutions
- Products to combat longevity & inflation risk
- Health care & Long-term care options
- Drive towards simplified annuities
- Programs to retain assets

