



# Do you own an annuity with an income rider?

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If you or your client is interested in purchasing an annuity with an income rider, now may be a good time to buy.

Over the past few months some insurance carriers have made significant changes to their income riders. Some carriers have even made their riders unavailable for sale. Rider changes have been heavily influenced by both market volatility and the lack of capital resources to sufficiently cover the increased demand of fixed indexed annuities during the consumer flight to safety.

In order to fund annuities, most insurance carriers, purchase investment grade bonds. The amount of yield received on these investments determines the availability of annuities offered by each carrier. It also influences the roll-up rate on these annuities.

During the past 10 months, investment rates on certain asset classes have plummeted. Therefore, some carriers have increased their rider charges to help maintain their roll-up rates. However, if rates continue to drop, simply increasing rider charges may not be enough to support roll-up rates.

To help illustrate the decline in investment rates, below are rates for a 10-year maturity, single A-rated corporate bond from a hypothetical portfolio. Notice how dramatically the bond yields have fallen since February 2009.

Month End	Single A Corporate Bond Yield
February 2009	7.02%
March 2009	6.11%
August 2009	5.22%
October 2009	4.93%
November 2009	4.72%

The data in the chart to the left is based on the gross investment yield at the end of the month before deductions for investment expenses and allowance for bond defaults. The bond yields shown above are weighted by class using a sample portfolio mix of 45% industrials, 49% financials and 6% utilities bonds. All data obtained from Bloomberg.

When a policy with an income rider is purchased from an insurance company, the roll-up rate is locked in for a period certain. Depending on the carrier, the rate could be guaranteed for 10 to 20 years, or even longer. And, some carriers will apply the same roll-up rate to premium added to the policy. Once a policy is issued, the roll-up rate is locked in.

Would you or your client like to purchase a policy now and lock in your roll-up rate?

For additional information and product specifics, call Brokers International, Ltd. at 800.362.1097 or visit our website at [www.BILTD.com](http://www.BILTD.com).

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