

Deferred Income Annuity (DIA)

Actuaries' Club of Hartford/Springfield
Hartford, Connecticut
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CRN201412-182563

Agenda

Defining DIA

The Product

The Fit

Why Now?

The Market

The Pricing & Risk

Recap

Most Enlightening Point You'll Ever Hear



Deferred

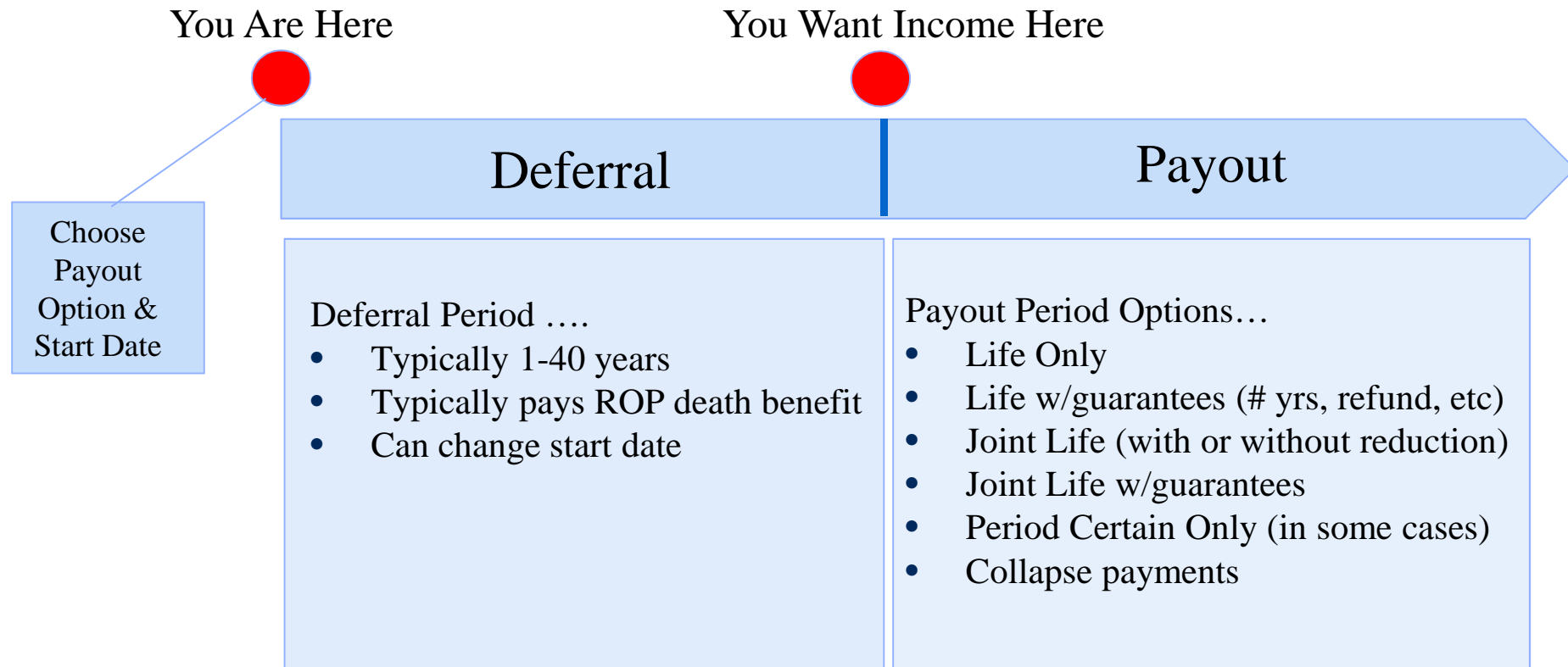
Income

Annuity

=

**Income
Annuity
that is
Deferred!**

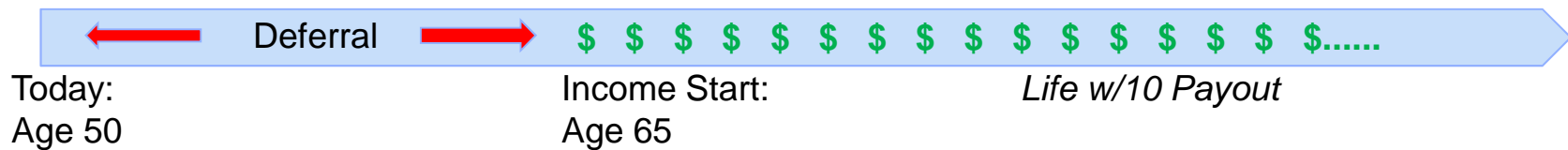
The Product – 2 Distinct Phases



Product Positioning – Usage Scenarios

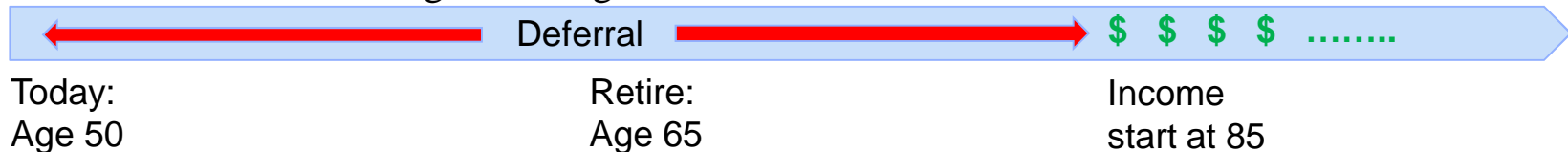
Retirement Income

Scenario: Client is aged 50, plans to retire at 65. Wants to secure income now to cover fixed expenses in retirement, wants it to pay for his life with 10 years guaranteed



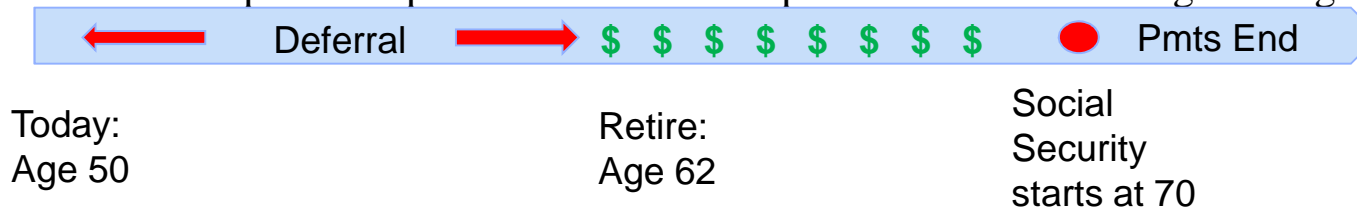
Longevity Insurance

Scenario: Client is aged 50, plans to retire at 65, feels confident in his nest egg but is worried about outliving it. Wants income to start at age 85 and go for life



Social Security Bridge

Scenario: Client is aged 50, plans to retire at 62, wants to defer Social Security until age 70 to maximize the SS income. Wants to purchase period certain DIA to provide income coverage during the gap

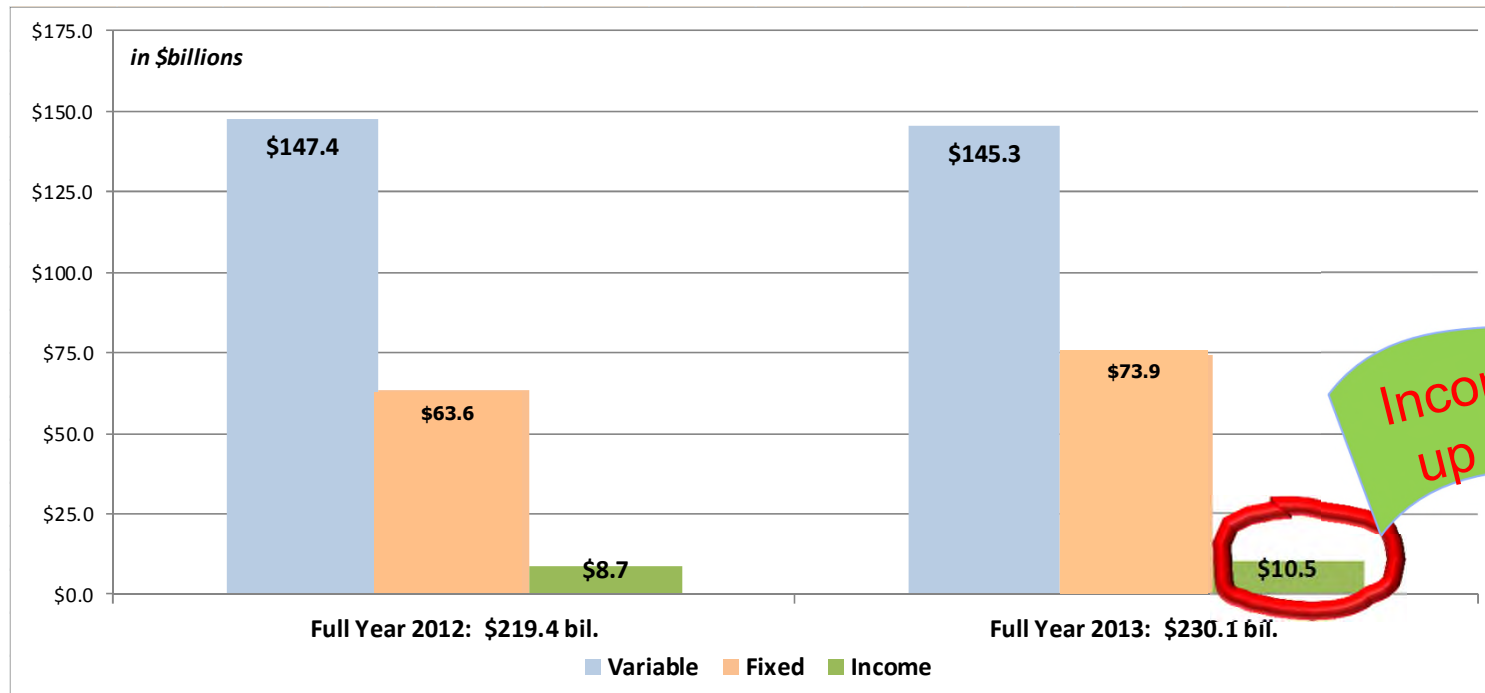


Why is the Product Gaining Traction Now?



Income Products Have Room to Grow

Total Annuity Sales 2012 vs. 2013



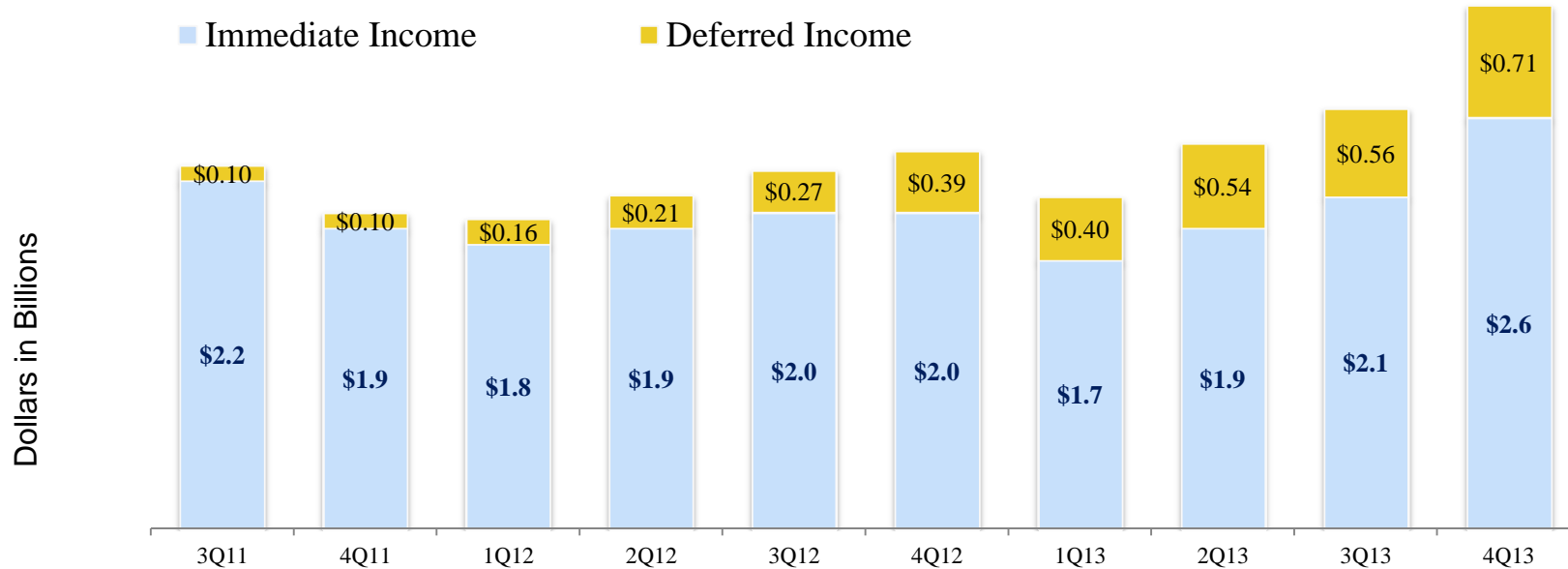
Source: LIMRA SRI, U.S. Individual Annuities survey, Q4 2013.

Fixed Annuity excludes Income

- While still a small part of the overall annuity industry, Income sales increased 20% from 2012 to 2013

DIA Sales Up 100+% Year over Year

Income Annuity Sales



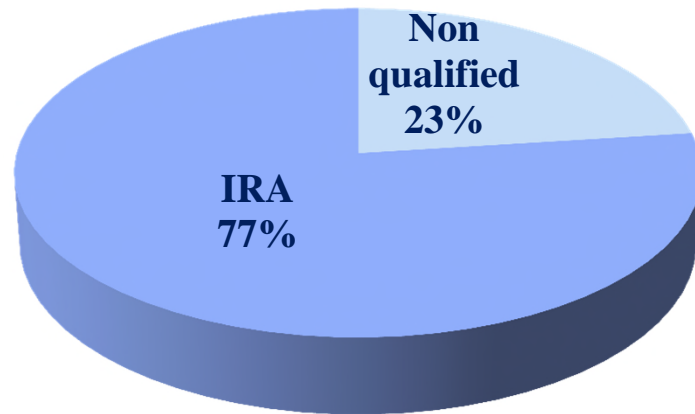
Number of Companies selling DIAs	3	3	4	4	5	5	7	8	8	10
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Source: LIMRA SRI, U.S. Individual Annuities survey, Q4, 2013.

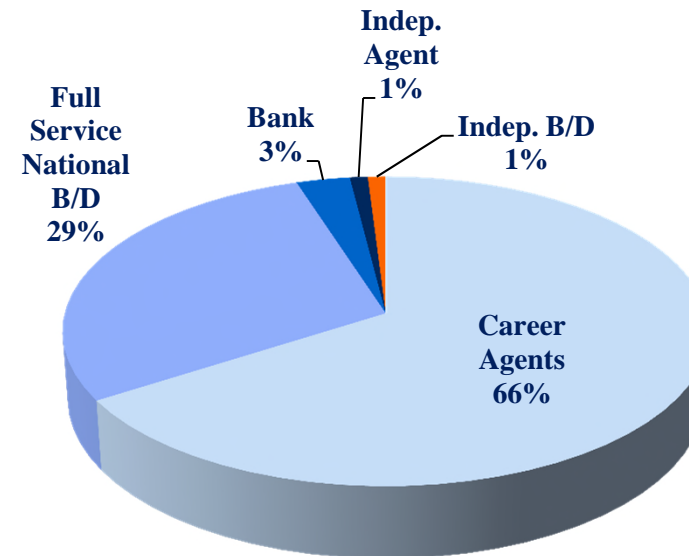
In two years, the number of carriers more than tripled

Over three quarters of DIA sales are IRAs and two-thirds come from Career Agents

By Source of Money in 2013



By Distribution Channel in 2013



Source: LIMRA SRI, *U.S. Individual Annuities* survey, Q4 2013.

DIA - The Most Efficient Way to Generate Income

DIA vs. Hypothetical GLWB

Assume: \$100K premium for Male age 60; Life with Cash Refund payout option

DIA: Income starts as noted in chart

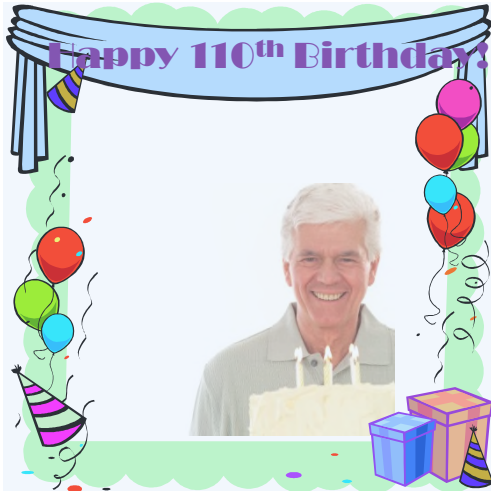
GLWB: 5% simple interest deferral bonus; 5% Annual Withdrawal Rate. Step-ups possible

DIA			GLWB	
Issue Age	Income Start Age	Annual DIA Income	G'teed Annual Withdrawal Base at Income Start	Guaranteed Annual Withdrawal
60	63	\$6,900	\$115,000	\$5,750
60	66	\$8,700	\$130,000	\$6,500
60	70	\$12,000	\$150,000	\$7,500

For the 10 year deferral, the GLWB would have to average over 9% returns per year in order to generate the same income level as DIA.

DIA income amounts are based on Mass Mutual rates in effect 12/1/2013 . Income amounts are rounded for illustrative purposes

Pricing and Risk Considerations



Wow. He lived a lot longer than we thought based on the mortality tables we had when he bought the contract at 55



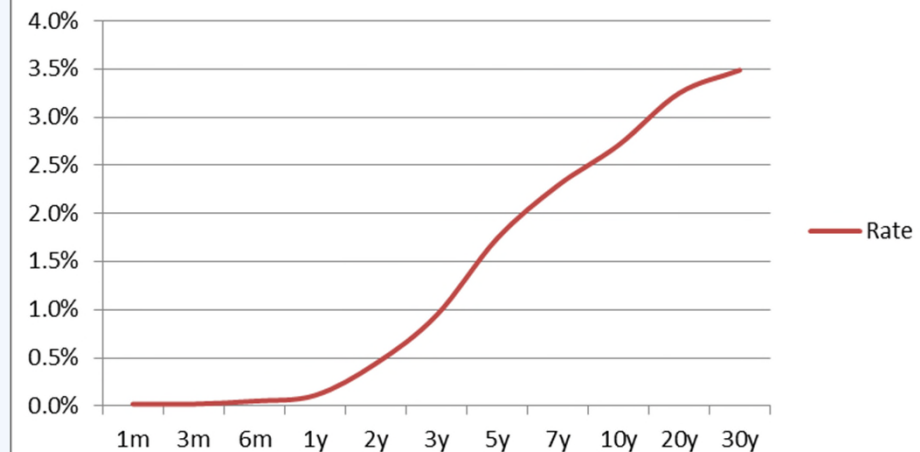
Longevity Risk

- Long duration product with no chance to “reprice”
- How confident are you in your mortality and improvement assumptions?

Reinvestment Risk

- Long duration product, locking in price today- have to reinvest as assets mature
- How confident are you in your reinvestment assumption?

Treasury Yield Curve 4/29/14



Recap



POP QUIZ

- What does DIA stand for?
- Why is DIA gaining traction? What events led to this?
- Name two main product risks
- Have DIA sales increased at all in the last year?
 - Bonus Question – by how much (roughly)?



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