



FOR IMMEDIATE RELEASE

**Annuity “Living Benefits” Provide
Unique Value to Retirement-Minded Americans**

These Popular Features Offer Strong Guarantees at a Reasonable Price

Reston, VA, [Dec. 12, 2005] – The biggest change to variable annuity contracts in the last few years is the widespread availability of “living benefit” guarantees, which provide principal protection regardless of market performance – a feature that cannot be obtained easily or inexpensively through alternative means. Today, more than 85 percent of all variable annuity contracts sold offer one or more living benefit guarantees.¹

A variable annuity is a financial retirement product that combines tax-deferred savings with insurance benefits, including guaranteed lifetime income payments. It allows individuals to invest in a variety of underlying fixed, equity and other funds, and provides returns based on the performance of these funds. Living benefits build upon this foundation by providing specific income, withdrawal, and accumulation guarantees, further protecting individuals living in or planning for retirement against downside market risk.

The various forms of living benefits are: the guaranteed minimum withdrawal benefit (GMWB), the GMWB for life, the guaranteed minimum income benefit (GMIB), and the guaranteed minimum accumulation benefit (GMAB). *See “Variable Annuity Living Benefits Sidebar” for more information.*

Living benefits cannot be duplicated easily or cost-effectively. For example, a GMAB can guarantee that the account value of the annuity will be at least equal to the amount invested if held for a specified number of years (e.g., 10 years). If an individual were to construct a “homemade” GMAB using alternative financial instruments, it would cost

significantly more than a GMAB feature provided through a variable annuity. The variable annuity cost is lower because insurance companies can take advantage of economies of scale and internal investment expertise that are not available to most investors.²

“The landscape for retirees now is very different than it was for previous generations,” said Mark Mackey, president and CEO of NAVA. “Living benefit guarantees are now meeting the needs of a wide range of Americans who might not have previously considered a variable annuity as a part of their retirement plan. Living benefits allow individuals to participate in the historically higher returns of the equity markets with the assurance that their investment is protected. These features can be especially valuable to baby boomers who have not prepared adequately for retirement and are less likely to build their nest eggs fast enough through more conservative investments.”

About the National Association for Variable Annuities (NAVA)

NAVA is a non-profit trade association located in suburban Washington, D.C. NAVA provides a variety of services to the industry including educational forums, research and conferences aimed at furthering the development and understanding of fixed and variable annuities, income annuities and variable life insurance. NAVA also maintains and supports an educational website for consumers at www.RetireOnYourTerms.com.

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¹ Morningstar, Inc., 2005

² Most individuals do not have access to 10-year at-the-money puts, which would most closely replicate the principal guarantee provided by a GMAB. The most comparable available alternative would be a series of five 2-year put-options. John Huggard, a finance professor at North Carolina State University, recently determined that the annual cost of protecting a well-diversified portfolio (80% stocks and 20% bonds) with five 2-year put-options would cost 2.8 percent of the portfolio value, or 280 basis points. Conversely, the annual cost for principal protection with a GMAB variable annuity typically is around 50 basis points.