

**PROOF: All Credit Methods are Not Alike**
*By Mitchell Maynard*

Over the last couple of years I have heard time and time again that a certain “FIA Expert” from the Midwest has been purporting that over time, all EIA Crediting Methods will create the same rates of return. I myself have never seen his research published anywhere, but in the last couple of weeks I have been working on a study for Dow Jones Indexes and I now have new research to further support my contradictive opinion.

Below you will find the results of my research. The research was conducted using 10-year rolling periods for each of 16 different indexed annuity profiles beginning with the year 1967. You will notice that my chosen profiles represent a broad cross section of indexed annuity products currently being marketed by various insurance companies, so you can find the results unbiased and credible.

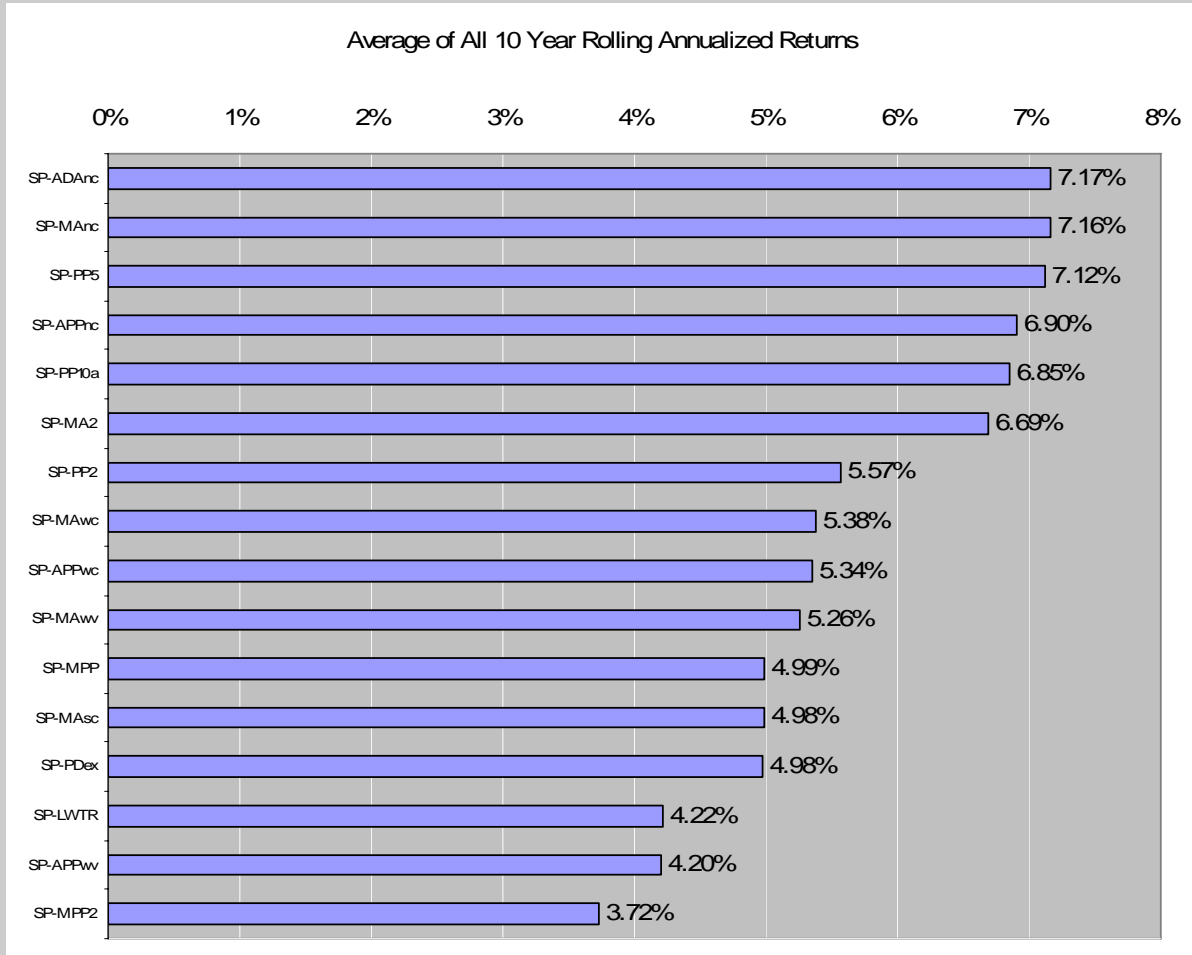
As the developer of the MCP Premium Software and the Premium Producers Group EIA Ratings Service, I have seen the sometimes extreme differences in hypothetical returns, but now this latest comprehensive analysis can be used to assist those of you who are realizing that a difference exists and your clients deserve the best of credit method performance.

**Indexed Annuity Profile Descriptors**

| EIA Symbol | Description                                      | Credit Method     | Spread | Participation Rate | Reset Cap | Period Reset | Additional Criteria | Cap / Rate |
|------------|--|-------------------|--------|--------------------|-----------|--------------|---------------------|------------|
| SP-MPP2    | Simulates F&G Spec Rewards Choice 9, mo cap 2yr  | Monthly Cap       | 0.00%  | 100%               | 0.00%     | 2            | None                | 2.9%       |
| SP-APPwv   | Simulates Allianz PowerDex Elite                 | Point-to-Point    | 0.00%  | 100%               | 9.00%     | 1            | APP 5 Yr Vesting    | 0.0%       |
| SP-LWTR    | Simulates Lincoln Benefit SIAPremier, LWTr       | Point-to-Point    | 0.00%  | 100%               | 6.37%     | 1            | 90 day LWTR         | 0.0%       |
| SP-PDex    | Simulates Allianz PremierDex, S&P500             | Monthly Cap       | 0.00%  | 100%               | 0.00%     | 1            | PDex                | 4.1%       |
| SP-MAsc    | Simulates SunDex ProVantage                      | Monthly Averaging | 0.00%  | 100%               | 9.00%     | 1            | Soft Cap 25%        | 25.0%      |
| SP-MPP     | Simulates Allianz MasterDex                      | Monthly Cap       | 0.00%  | 100%               | 0.00%     | 1            | None                | 2.9%       |
| SP-MAwv    | Simulates Sun MultiPoint10                       | Monthly Averaging | 0.00%  | 111%               | 0.00%     | 10           | Mthy Avg Srs HWTR   | 0.0%       |
| SP-APPwc   | Simulates F&G Index Rewards 5, Pt to Pt SP500    | Point-to-Point    | 0.00%  | 100%               | 8.50%     | 1            | None                | 0.0%       |
| SP-MAwc    | Simulates RBC S&P 7, Monthly Avg                 | Monthly Averaging | 0.00%  | 100%               | 10.00%    | 1            | None                | 0.0%       |
| SP-PP2     | Simulates Jeff. Pilot OptiPoint10, 2yr Pt to Pt  | Point-to-Point    | 0.00%  | 100%               | 15.00%    | 2            | None                | 0.0%       |
| SP-MA2     | Simulates EquiTrust MktBooster PLUS, 2yr Mth Avg | Monthly Averaging | 0.00%  | 100%               | 0.00%     | 2            | None                | 0.0%       |
| SP-PP10a   | Simulates MarkOne 10 Year Point to Point         | Point-to-Point    | 0.00%  | 70%                | 0.00%     | 10           | None                | 0.0%       |
| SP-APPnc   | Simulates AIG Emerging Edge, float participation | Point-to-Point    | 0.00%  | 55%                | 0.00%     | 1            | None                | 0.0%       |
| SP-PP5     | Simulates MarkOne 5yr Pt2Pt                      | Point-to-Point    | 0.00%  | 73%                | 0.00%     | 5            | None                | 0.0%       |
| SP-MAnc    | Simulates Amerus MultiChoice Classic, Mth Avg    | Monthly Averaging | 0.69%  | 100%               | 0.00%     | 1            | None                | 0.0%       |
| SP-ADAnc   | Simulates Midland Veridian, Daily Avg SP500      | Daily Averaging   | 0.00%  | 100%               | 0.00%     | 1            | None                | 0.0%       |

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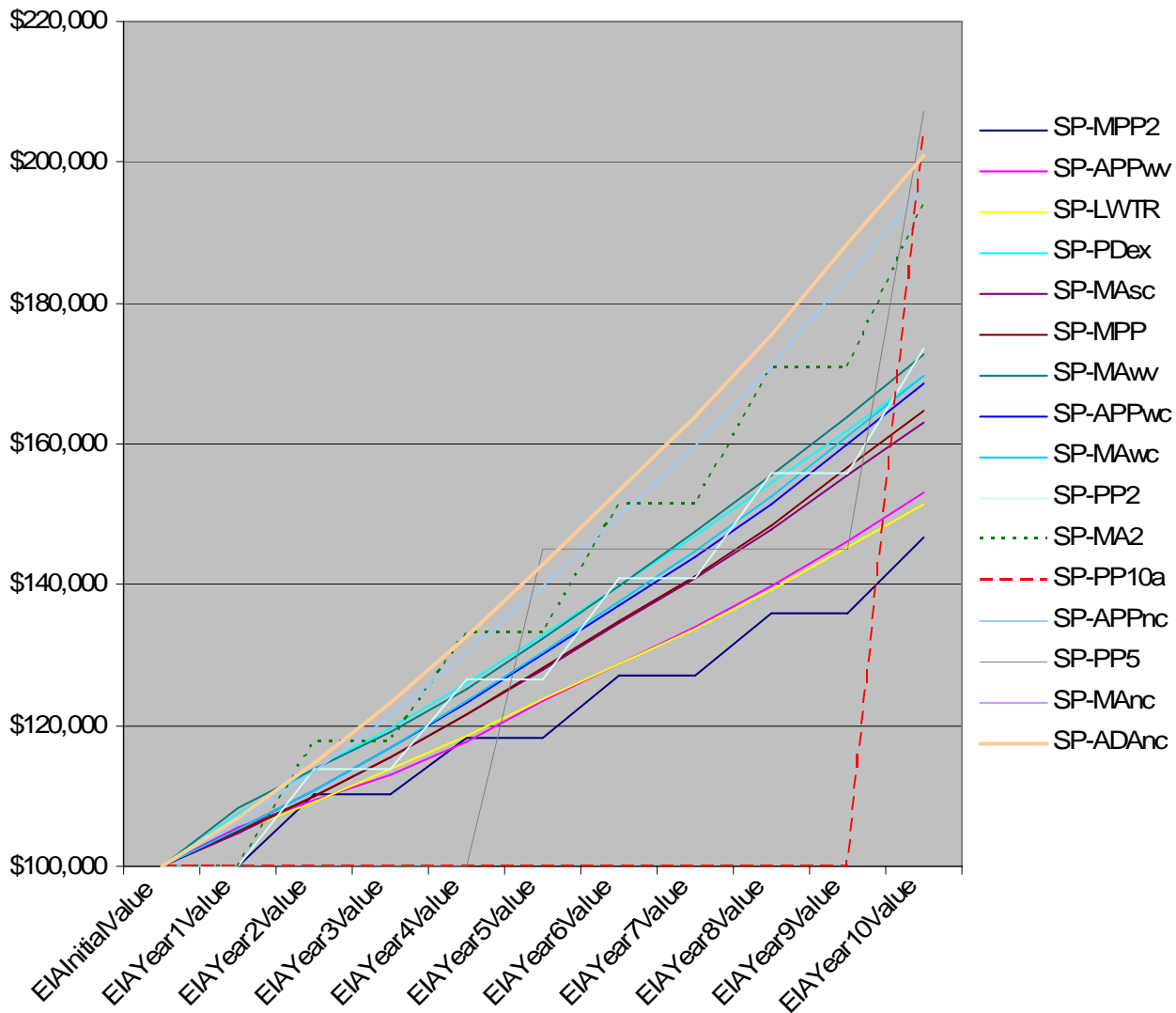
The chart below represents the average of all thirty 10-year rolling annualized returns. You will notice that there a considerable difference between the best and the worst. In fact, the best credit methods have returns twice that of the worst performer. I would also like to caution that the results of this study, for various reasons, should not be used as a determining factor in selecting an index crediting method. The chart is presented only to illustrate that they can indeed yield very different returns.



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The chart below represents the average of each annual value in the rolling 10-year rolling periods. You will notice that there is a broad spectrum of ending values. Again, this chart should not be used as a determining factor in selecting an index crediting method, and is provided only to illustrate the range of ending values that occurred in the study.

**Average of Annual Year Values of 10 Year Rolling Periods**



In summary, the results of my new study emphatically demonstrate that all indexed annuity credit methods are not equal. No one knows what the next ten years will be like for the stock market and thus for the indexed annuity. Therefore it is important to utilize the best tools available – including Monte Carlo projections as well as historical hypotheticals - to determine the best indexed credit methods that are available. Without proper analysis, you are not living up to your responsibility to your client.