



## Agent Use of Hypotheticals Have an Impact!

*By Mitchell & Dorice Maynard*

Recent press releases by a top issuer of EIA products, taken in conjunction with EIA sales data, seem to indicate that agents are applying some measure of analysis when it comes to recommending particular EIA crediting methods and products.

Just last month, Allianz Life announced a severe decline in EIA sales that even prompted layoffs. While they attributed the decline to NASD pressures and Broker-Dealer regulation, if those were the sole causes we would have likely seen similar effects in other insurers; a fact that did not escape the attention of industry data gatherer, Beacon Research, who's President was quoted as saying he was "shocked" by the news. It begs the question: Is Allianz being disingenuous - or just naive?

Here's what I know: when Broker-Dealers decide to screen EIA products for suitability, they almost always eliminate mandatory annuitization, two-tiered structures, long surrender terms, and high commissions, right off the bat. Gee, what company issues products with these features?

So although Allianz continues to dominate the EIA sales numbers with their MasterDex, the tide may be changing. Change may also be coming from the independent sales channels, too. I'd like to give a little credit to the fairly recent trend of marketing organizations and broker-dealers making available EIA hypothetical software tools (like MCP Premium Suite or EIAAnalyst2-Lite) to their agents, because we are seeing a trend away from certain undesirable crediting methods, into better ones. The sales data tells the tale.

MasterDex employs the Monthly Cap (a.k.a. monthly point to point) crediting method. According the invaluable EIA sales data gathered by The Advantage Group and published in their Advantage Compendium, in the second quarter of 2005 this method accounted for slightly over 48% of EIA methods sold. However, in the same period for 2006, Monthly Cap only accounted for 39% of methods sold. This crediting method has been shown to not perform well in either historical hypothetical analysis or Monte Carlo simulations.

Monthly Averaging and Annual Point to Point, both methods that hold up well under hypothetical analysis, have seen an increase in sales. The Secure Index series from ING and Jackson National's Elite are top-sellers that use these methods. The Advantage Compendium showed Monthly Averaging moved just slightly from 23% up to 24% but Annual point to point jumped significantly from 19% up to almost 30%.

This change is too substantial to be mere coincidence: someone is running analysis on credit methods, and the results of their analysis are driving sales. This is a huge victory for the consumer as well as for the agent. Agents are making educated recommendations, and consumers are less likely to be disappointed with the interest they earn in their EIA. Insurers will continue to provide better credit methods if they 'sell'.

As further reported in the Advantage Compendium, sales of EIA products with shorter surrender periods (10 years or less) increased significantly overall, while sales of longer terms (10 years or more) decreased by a full 10%. More good news!

If Allianz is the pulse of the EIA industry, they had better take a long hard look at their

product line. What's that old Bob Dylan song lyric? "The times they are a changin'." And they are.

We offered our first EIA analysis tool in 2001, and while we are still the only ones to offer Monte Carlo simulations, several other firms have entered the historical hypothetical/'calculator' scene. The impact is real. The impact is positive. I want to say a big "thank you" to every marketer and agent who cares enough to conduct analysis and understand an EIA product's engine before they make a sale or recommend a product. You are the key to better products and greater client satisfaction!

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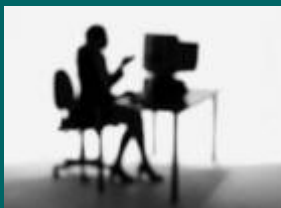
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