

## It's Time to Think 'Crediting', Not 'Carrier'

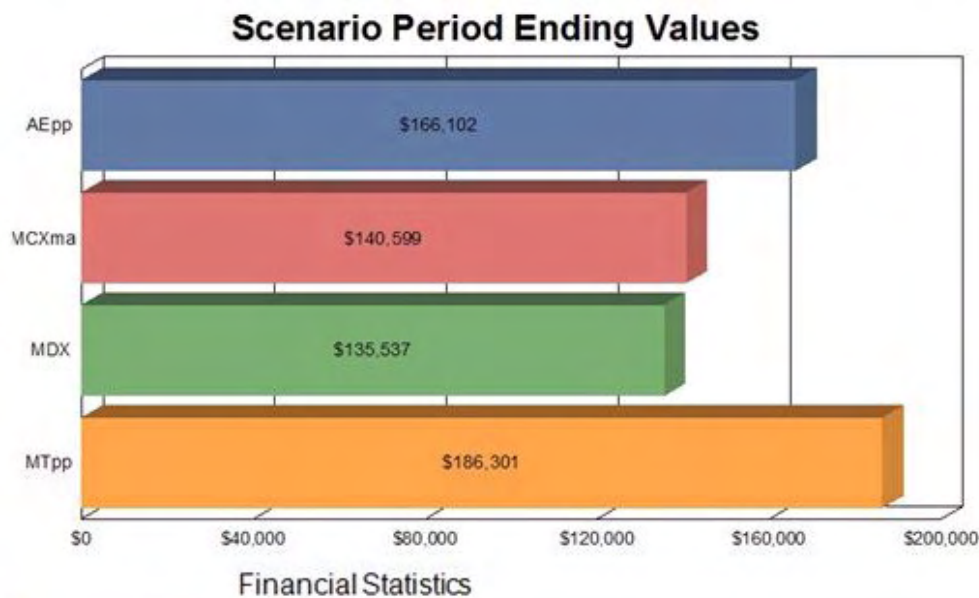
By Dorice Maynard, VP Sales & Customer Service

Certain industry pundits have been beating the same monotonous drum for years now: All crediting methods are the same (everyone chant Ommm....). The problem is, any reasonably intelligent agent knows that's simply not true! Each index annuity crediting method is structured using different call options, so their pricing and behaviors are inherently different. It's time to turn those pundits out on their ears. More accurately, all annuity carriers are pretty much the same. They all have to abide by NAIC and state rules of minimum reserves and liquidity. Those requirements don't change when interest rates fall and prices on needed call options jump—but EIA rates do.

We've all seen spreads on averaging products reach 5%, participation rates down to 25%, and annual caps drop to the 6% range. As option prices increase and less interest income is available to buy those options, companies must adjust EIA rates to stay in business. So while the same conditions can effect all crediting methods, all crediting methods will not yield the same results—sometimes by a long shot!

This is where having a software tool like our EIA Ratings Analysis is vital. An annuity is a longer term investment, so we can't just look at the last 1 to 3 years for guidance on what might happen. Below, I've compared a \$100,000 deposit into a **2.4% spread Monthly Average (MCXma)**, a **70% participation Point to Point (MTpp)**, a **7% cap Point to Point (AEpp)** and a **2.5% Monthly Cap (MDX)**, all over the last 10 years.

Keep this in your pocket so the next time someone starts droning on that credit method doesn't matter, you can reflect on the truth that your clients are getting a better service. And don't forget to smile knowingly: pundits hate it when you do that.



EIA Ticker	Annualized Return	Standard Deviation	Correlation Coefficient	Beta	Grade
AEpp	5.21%	2.98%	85.03%	38.20%	B+
MCXma	3.47%	3.46%	77.49%	40.48%	D-
MDX	3.09%	3.94%	43.58%	25.90%	F-
MTpp	6.42%	4.64%	100.00%	70.00%	A+

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