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**ANNUITY SHOPPER
MAGAZINE**

**July 2000 (Summer Issue)
Volume 15, Number 2**

Business Offices:

United States Annuities, Inc.
8 Talmadge Dr.
Jamesburg, NJ 08831-9999

Tel: (732) 521-5110
Fax: (732) 521-5113

Publisher
Hersh L. Stern

Editor in Chief
Artemus Engle

Editors
Sharon Carullo
Laurie Stern

Subscriptions
Marlene Murphy

ANNUITY SHOPPER MAGAZINE
(ISSN 1071-4510) is published semiannually
by United States Annuities. COPYRIGHT
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Data is obtained from insurance companies
that respond to a written survey. No
representation is made regarding the
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declined to respond to the survey request.

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ANNUITY SHOPPER is sold by
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U.S. third-class delivery, prepaid only, \$45
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Hersh L. Stern
Publisher

Send your questions and concerns, with your address and phone number, to Hersh Stern, Publisher, *Annuity Shopper Magazine*, 8 Talmadge Drive, Monroe Township, NJ 08831.

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The Use of Annuities in Medicaid Planning

BACKGROUND

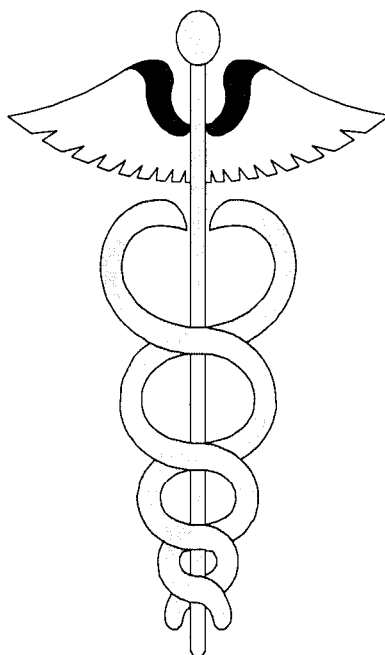
Immediate annuities have been used as a Medicaid planning technique for many years. Christine Nye, Director of the Medicaid Bureau, stated in 1991, "If the annuity is actuarially equal in value to the transferred resource, the transfer would be one in which fair market value is received and no penalty would be imposed. If not equal, the penalty under Section 1917 for failure to receive fair market value would be applied, that is, to deny payment for institutional services for a prescribed period of time."¹ This letter went on to say, "While this is a big policy loophole, we see no way to close it absent legislation." Subsequent to the date of Director Nye's letter, Congress had the opportunity to close this loophole by legislation when it enacted the Omnibus Budget Reconciliation Act of 1993 (OBRA '93), effective October 1, 1993. Instead of addressing this issue by legislation, Congress delegated the annuity issue to the Secretary of Health and Human Services.² The Secretary issued HCFA Transmittal No. 64 which specifically authorizes the purchase of an annuity, provided the annuity is actuarially sound.³ The sole test is whether the expected return on the annuity is commensurate with a reasonable estimate of the life expectancy of the beneficiary. If so, the annuity can be deemed actuarially sound.

Using HCFA Transmittal No. 64 as authority, practitioners began advising clients to purchase annuities for Medicaid planning. Over the past seven years, states have become increasingly aggressive in erecting barriers to Medicaid eligibility. These barriers include efforts by states to defeat the use of annuities as Medicaid planning techniques.

Subsequently, in a letter from Robert H. Streimer, Director of the Disabled and Elderly Health Programs Group, Center for Medicaid and State Operations, Health Care Financing Administration, to Jean Galloway Ball, a private attorney, dated April 16, 1998,

Mr. Streimer took great pains to point out that assets in a spousal annuity trust were "available" and contrasted that type of an arrangement with a commercial annuity. The strong language in the Streimer letter gives further support to the use of commercial annuities in Medicaid planning.⁴

The use of annuities in a Medicaid context relies on two provisions of the



Medicaid law. First, when purchasing an annuity countable assets (i.e., securities or bank accounts) are being converted to an income stream. While the *assets* of the community spouse and institutionalized⁵ spouse are pooled, their *incomes* are not. Only the income of the institutionalized spouse is counted; the income of the community spouse is not counted.⁶

The second provision of the Medicaid law which enables the use of annuities is the following: while the assets of the community spouse are pooled with the assets of the institutionalized spouse at the time of initial eligibility determination, there is no further deeming of the assets of the community spouse to the institutionalized spouse at the time of redetermination. This means

that a community spouse can purchase an annuity and convert countable assets to an income stream for the community spouse and then over the life of the annuity regain all of the assets used to purchase the annuity without those assets being counted again.

HCFA REQUIREMENTS

Under HCFA Transmittal No. 64, if the annuity is to be a non-countable asset it must be actuarially sound. The annuity must be an immediate annuity, and it must be irrevocable and non-assignable.⁷ In addition, the term certain cannot exceed the actuarial life expectancy of the annuitant.⁸ When an immediate annuity is purchased, it is irrevocable. This means that the agreed-upon payments cannot be changed. While HCFA 64 is silent on the issue of whether or not the payee designation can be revoked, it is good practice to elect an irrevocable designation of payee so that a Medicaid agency in the future does not require that the payee be changed to the nursing home or the Medicaid agency. Most annuities are assignable by their terms. Counsel assisting in Medicaid planning and the purchase of an annuity for a client must carefully review the contract and insist that the insurance company issue an endorsement making the annuity non-assignable.

With respect to the term certain, any payments beyond the actuarial life expectancy of the annuitant are considered a transfer subject to the Medicaid transfer penalties. For example, if a person with a 10 year life expectancy purchases an annuity with a 30-year term certain, that person has no reasonable expectation of receiving payments for years 11 through 30. Therefore, that portion of the annuity would be considered a transfer subject to the Medicaid transfer penalties. Medicaid uses the Social Security tables for determining actuarial life expectancy, not the I.R.S. tables. Most insurance companies use the I.R.S.

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tables, so it is important that the attorney involved in the transaction advise the insurance company as to the exact number of years of the term certain and check the policy to be sure that it is correct.

Since a deferred annuity can be surrendered by payment of a surrender charge, it is considered an available resource. Nevertheless, the resource can be protected by converting the deferred annuity into an immediate annuity. This process is called "annuitization."

WHEN TO USE AN ANNUITY

There are two situations in which it may make sense to purchase an annuity in connection with Medicaid planning; however, state law must be consulted. The first situation is to purchase an annuity for the community spouse. The community spouse then receives an income stream, which is non-countable, and names children or others as beneficiaries upon his or her death. It should be noted that the receipt of the annuity income by the community spouse will reduce or eliminate the Minimum Monthly Maintenance Needs Allowance (MMMNA) in many situations.¹⁰ It is usually sensible to purchase the annuity anyway, because upon the institutionalized spouse's death the community spouse will lose the Social Security of his or her spouse, depending upon which is lower, and may lose all or a part of the institutionalized spouse's pension. By purchasing the annuity, assets are preserved. The annuity provides an income stream for its term and, as the periodic payments are made by the insurance company to the community spouse, they may be reinvested by the community spouse. This serves to soften the blow from some of the lost Social Security and/or pension income. It must be understood that, if the annuity is purchased prior to institutionalization, then it would be a non-countable asset at the time the snapshot is taken. Moreover, in those states which determine the Community Spouse Resource Allowance (CSRA) as half of the countable assets,¹¹ if the annuity may reduce the CSRA if it is

too large. Conversely, if the annuity is purchased after the snapshot, it is part of the spend down and doesn't affect the CSRA of the community spouse. In those states which permit the community spouse to keep the maximum (\$84,120 in calendar year 2000) as the CSRA, it does not make any difference whether the annuity is purchased before or after institutionalization.

The second situation in which it makes sense to purchase an annuity is for a single person whose actuarial life expectancy is longer than his or her actual life expectancy. For example, suppose that Rose is about to enter a ventilator unit at a cost of \$25,000 per month. Let's further assume that Rose has countable liquid assets of \$300,000. If the state divisor for calculating the Medicaid period of ineligibility is \$5,000 per month, then a small percentage of assets can be protected by doing transfers. If \$50,000 were transferred, there would be a period of ineligibility of 10 months. A nursing home cost of \$25,000 per month for 10 months would be \$250,000. Therefore, only one-sixth of the assets are protected by doing a transfer. However, if the person entering the ventilator unit had an actual life expectancy of only one year and an actuarial life expectancy of ten years, if an annuity were purchased and the person died in one year, 90 percent of the assets would be protected. All of the income produced by the annuity for the first year would be counted as income of the Medicaid recipient and would have to be paid to the nursing home. However, if the person died after one year, they would have only paid one-tenth, or approximately \$30,000, to the nursing home and nine-tenths, or approximately \$270,000, would remain in the annuity to be paid to the beneficiaries.

ESTATE RECOVERY

Whether or not estate recovery could be asserted against an annuity is an open question. In those states which have a narrow definition of an estate for estate recovery purposes, recovery can only be made against assets forming a part of the probate estate.¹² Since an

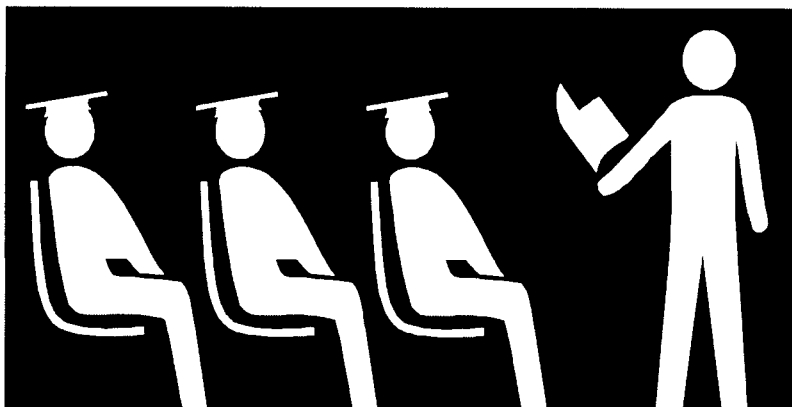
annuity has a beneficiary, it passes outside the probate estate and is not subject to estate recovery in those jurisdictions. However, some states have a broad definition of estate for estate recovery purposes.¹³ In those states, recovery may be made against the probate estate and also against jointly-owned assets, assets in a living trust, life estates, and "other arrangements."¹⁴ The issue has been whether or not an annuity is an "other arrangement." Unfortunately, HCFA has determined that in those states having a broad definition of estate recovery, an annuity can be considered an "other arrangement" and, is subject to estate recovery.¹⁵ Therefore, it would seem that, in those states having a broad definition of an estate for estate recovery purposes, the use of an annuity for a Medicaid recipient having an actual life expectancy less than his or her actuarial life expectancy would have limited value. It is likely that the entire amount of the annuity would have to be repaid to the Medicaid agency.

In situations where the annuity is purchased in the name of the community spouse, there should be no estate recovery. On the death of the institutionalized spouse, the annuity would not be an asset of that person's estate and, therefore, not subject to estate recovery. On the death of the community spouse, that spouse was not a Medicaid recipient and had no obligation to repay the Medicaid agency. However, state law must be consulted.

STATE DIFFERENCES

Medicaid planning has often been compared to tax planning. Congress makes the rules, and practitioners advise clients as to how to utilize the rules to the client's advantage. There the similarity ends. In tax planning, the taxing authorities appear to accept tax planning and, while these authorities are vigilant in not permitting abusive planning, the process is usually non-adversarial. In Medicaid planning, since the states fund about 50 percent of the Medicaid dollars, enact their own

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Medicaid law and regulations, and administer the Medicaid program, they are very involved in the process. During the last decade, states have embarked on vigorous cost-cutting programs to contain their budgets and have taken a very hostile attitude toward Medicaid planning of any kind. They have been aggressive in adopting policies, usually without benefit of complying with the State Administrative Procedures Act, that restrict the effectiveness of Medicaid planning. While HCFA Transmittal No. 64 is a State Medicaid Manual to be followed by all states, there is a wide discrepancy throughout the states on a number of vital issues. The authors have conducted a survey of state practices regarding annuities and would like to thank the Reporters from each state who responded to the survey questionnaire. These Reporters are Medicaid experts in their states and can be consulted with respect to issues involving annuities in their states.

(Editor's note: A copy of this survey, which includes the names and telephone numbers of the respondents, is available upon request. Call Annuity shopper at 800-872-6684.)

Here are the nine questions that were asked in the survey, along with a discussion of their significance:

Question 1: Is the purchase of an annuity which complies with HCFA Transmittal 64 penalized as a transfer?

By purchasing an annuity a person is

taking an available resource and converting it into an inaccessible resource. The argument can be made that the creation of an inaccessible resource constitutes a transfer. The counter-argument is that the transfer is a transfer for value and, therefore, not subject to the Medicaid transfer penalties. In a New Jersey case, a community spouse purchased an annuity for \$100,000.¹⁶ The state Medicaid agency denied eligibility contending that the purchase of the annuity constituted a transfer and imposed a 29-month period of ineligibility. The petitioner argued that the transfer penalty was inapplicable, because the transfer was a transfer for value. At the Fair Hearing expert testimony established that the annuity would pay back the community spouse the sum of \$121,000. Therefore, the purchase of the annuity was a transfer for value. Currently, some states consider the purchase of an annuity a transfer subject to penalty even if the annuity meets the requirements of being actuarially sound, irrevocable, non-assignable, and does not have a term certain exceeding the life expectancy of the annuitant.

Question 2. Is the purchase of an annuity by a Community Spouse considered a transfer if the annuity income increases the monthly income of the Community Spouse above the MMMNA?

If a large annuity is purchased, it will pay out a sizable income stream to the community spouse. Some states have

taken the position that, to the extent that the increased income to the community spouse exceeds the MMMNA, there has been a transfer subject to the Medicaid transfer penalties. Again, the counter-argument should be that the transfer is a transfer for value and not subject to the Medicaid transfer penalties. The MMMNA was established by the Medicaid Catastrophic Coverage Act to guarantee community spouses a minimum income. It is a minimum, not a maximum. MCCA excluded the income of the community spouse from being counted for Medicaid eligibility purposes. This evidenced an intent not to cap the income of the community spouse.

Question 3. Are annuity payments permitted to increase over time or to balloon?

HCFA Transmittal No. 64 states that the annuity must be actuarially sound. It does not require payments to be made monthly, quarterly, annually or on any other periodic basis. Aggressive Medicaid planners have interpreted this to mean that a person could purchase a balloon annuity. For example, a person with an actuarial life expectancy of ten years could purchase an annuity providing for one payment at the end of ten years. A less aggressive variation would be to purchase an annuity which provides for increased payments over time to protect the payee against inflation. Under such an arrangement, payments may be gradually increased on an annual basis, at say 5 percent per year. Since HCFA Transmittal No. 64 expressly recognizes annuities as a valid retirement planning device, a payout schedule which gradually increases over time would be prudent retirement planning and should be permissible.

Question 4. Are annuities subject to estate recovery?

The state survey was completed prior to the issuance of the HCFA letter which discusses an annuity as an "other arrangement" within the broad definition of estate recovery. Therefore, it is likely that results may change on

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this issue in those states which do have a broad definition of estate recovery. However, this change is not automatic since states must take action to amend their regulations to provide for estate recovery against annuities. Practitioners in those states must take into account the likelihood of this happening. In those states which do not have a broad definition of estate recovery, practitioners must be alert to efforts by states to change from a narrow definition to a broad definition.

Question 5. Is there a requirement that the state be named as primary beneficiary of an annuity to the extent that it has advanced monies on behalf of the Medicaid recipient. If so, does the same rule apply if the annuity is owned by the community spouse?

An efficient way for the state to assert estate recovery against annuities would be to insist that it be named as primary beneficiary to the extent that Medicaid monies have been advanced. Insurance companies are sometimes reluctant to issue an annuity with such a beneficiary designation, because they do not want to become involved in determining the amount owed to the state Medicaid agency. Actually, the solution to this problem is very simple since the state Medicaid agency would issue a letter stating the amount due. This is very similar to a mortgage payoff statement. While the state of the applicant can contest the amount due, the insurance company would simply withhold payment until such time as agreement is reached. New Jersey is the only state requiring that the annuity name the state as primary beneficiary on an annuitant owned by the community spouse. There appears to be no legal basis for the position taken by the State of New Jersey. There have been Fair Hearings stating that the state has no authority to take this position, since it has not complied with the provisions of the State Administrative Procedures Act. However, there have been no appellate decisions and no decisions on the issue of whether the requirement would be valid if there was compliance with the

provisions of the State Administrative Procedures Act.

Question 6. In determining whether an annuity is actuarially sound, does the state use the actual or actuarial life expectancy?

Under HCFA Transmittal No. 64, it appears that states should use actuarial life expectancy and that they should follow the Social Security Administration life expectancy tables contained in HCFA Transmittal No. 64. There has been discussion in some states of using actual life expectancy rather than actuarial life expectancy. The use of actual life expectancy would be very difficult for state Medicaid agencies to administer and would place a difficult burden on the intake worker. In states having a narrow definition of estate recovery where there is a short actual life expectancy and a much longer actuarial life expectancy, this is a significant issue.

Question 7. Is an annuity considered to be an "available" resource?

Although this has not been an issue to date, the fact that HCFA has considered assets in a Spousal Annuity Trust to be exempt from the Medicaid transfer penalties but, nevertheless, available resources, raises a question with respect to annuities. However, the letter from Streimer to Ball strongly distinguishes assets in a Spousal Annuity Trust from a commercial annuity.

Question 8. Does the state consider the purchase of an annuity to be a transfer to a trust?

The authors asked this question because under OBRA '93 Congress delegated the issue of whether an annuity should be treated as a trust to the Department of Health and Human Services. If an annuity were considered a trust, then the purchase of an annuity would presumably be considered a transfer to a trust subject to the lookback periods and attendant penalties. By issuing HCFA Transmittal No. 64, the Health Care Finance Administration took the position that annuities are not to be treated as trusts.



However, since state Medicaid agencies are hostile to any type of Medicaid planning, the authors decided to explore this issue in the survey.

THE INAPPROPRIATE SALE OF ANNUITIES

Almost all survey respondents reported that annuities were being sold inappropriately in their states. Not all persons who sell annuities do so inappropriately, but consumers who are considering the purchase of an annuity as a way of qualifying for Medicaid coverage for nursing home expenses should definitely seek expert advice. The two most serious pitfalls that annuity salespersons often fail to disclose are that income received by a Medicaid recipient from an annuity will be paid to the nursing home, and that there will be an attempt at estate recovery in those states which have estate recovery against annuities.

Income Deferral

The principal reason for persons to purchase deferred annuities is to defer the tax on the income earned until later years. It makes great sense if a 55 year old person at the peak of his or her earning years purchased an annuity for a term of 10 years with the idea of deferring the income until after he or she retires and will be in a lower income bracket. It makes much less

(Continued on page 13)

sense for an 80-year-old retiring widow in a 15 percent tax bracket to purchase a deferred annuity with the idea of deferring income until a later date. What often happens is that the deferred income accumulates and is taken out in a lump sum and tax is paid at a rate much higher than the initial 15 percent tax rate.

Unlike stock, which receives a step-up in basis on the death of the shareholder, there is no step-up in basis for the income which has been accumulated in a deferred annuity. Eventually, this income must be distributed and the tax paid. The longer the income accumulates, the larger it becomes and the larger the ultimate tax bite.

Unfortunately, there are brokerage firms that aggressively market annuities improperly to seniors. These organizations often conduct marketing seminars under the guise of educating the attendees about financial issues affecting senior citizens. The advertisements contain scare tactics and false and misleading information. While much of the underlying information is truthful, it is often presented in a sensational manner. This is done with the intention of scaring the senior citizen into purchasing an annuity. In

addition, the income tax benefits of deferring income are usually exaggerated, the surrender charges for early withdrawal are usually glossed over if mentioned at all, the appropriateness of the annuity for the age of the purchaser is rarely discussed, and the attendees are informed that the purchase of the annuity will help protect the asset from subsequent claims of a nursing home. The details as to how the annuity needs to be structured for Medicaid eligibility, however, are rarely mentioned. Finally, the disadvantages of annuity ownership are never raised.

CONCLUSION

While the authors are strong proponents of the use of annuities in Medicaid planning, we believe that they are a last resort, not a first choice. Because of the significant disadvantages to annuities, they should be considered only after there has been a thorough analysis of the client's facts and circumstances and other Medicaid planning options have been thoroughly explored.

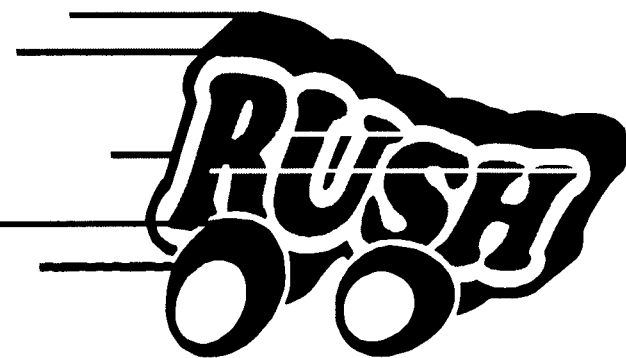
ENDNOTES

1. Letter from Christine Nye, Director of Medicaid Bureau, Department of

Health and Human Services, Health Care Financing Administration, to Regional Administrator, Region 4, Atlanta, dated January 24, 1991.

2. 42 U.S.C. §1396p(d)(6).
3. HCFA Transmittal No. 64 §3258.9B.
4. Private annuities are also used in the context of Medicaid planning, but are not addressed in this article.
5. 42 U.S.C. §1396r-5(c)(1)(A).
6. 42 U.S.C. §1396r-5(d)(1)(B).
7. HCFA Transmittal 64 §3258.9B.
8. *Id.*
9. *Id.*
10. 42 C.F.R. §435.725(c).
11. 42 U.S.C. §1396r-5(f)(2).
12. 42 U.S.C. §1396p(b)(4)(A).
13. 42 U.S.C. §1396p(b)(4)(B), HCFA Transmittal 63 §3810 B 2.
14. *Id.*
15. Letter from HCFA Regional IX to the California Department of Health Services dated January 24, 2000.
16. *F. E. v. DMAHS*, 95 N.J. Admin. 2d (DMA) 67 (1995).

This is an abridgment of an article written by Thomas D. Begley, Jr. and Jo-Anne Herine Jeffreys and was reprinted with their permission. Mr. Begley is an attorney with Begley, Begley & Fendrick, P.C., a Moorestown, NJ law firm specializing in Elder Law. He can be reached at (856) 235-8501. Ms. Jeffreys lives in Hoboken, NJ and can be reached at (201) 656-5033.



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Growing Attention Paid to Elder Financial Abuse

Last year the Tennessee General Assembly enacted new legislation addressed specifically at protecting the elderly from financial abuse. A new section was added to the State's Consumer Protection Act that imposes up to a \$10,000 civil penalty for any deceptive trade acts or practices that specifically target the elderly, such as telephone or direct mail solicitations. Similarly, the General Assembly made additional remedies available to elderly persons who have been abused, neglected, or exploited, or from whom property has been taken by fraud, deceit, coercion, or "otherwise." Attention to victims of elder financial abuse has been growing nationally. As an August 1999 report by the National Center on Elder Abuse, made available this month online, observed, the federal Victims of Crime Act of 1984 provided for services and compensation to victims, but only recently have VOCA grants been made available for victims of financial crimes. Financial crimes, according to the NCEA report, span the spectrum from telemarketing scams, the misuse of powers of attorney confidence crimes, and illegal transfers of property. Perpetrators include family members, predatory individuals, and unscrupulous businesses.

Population At Risk

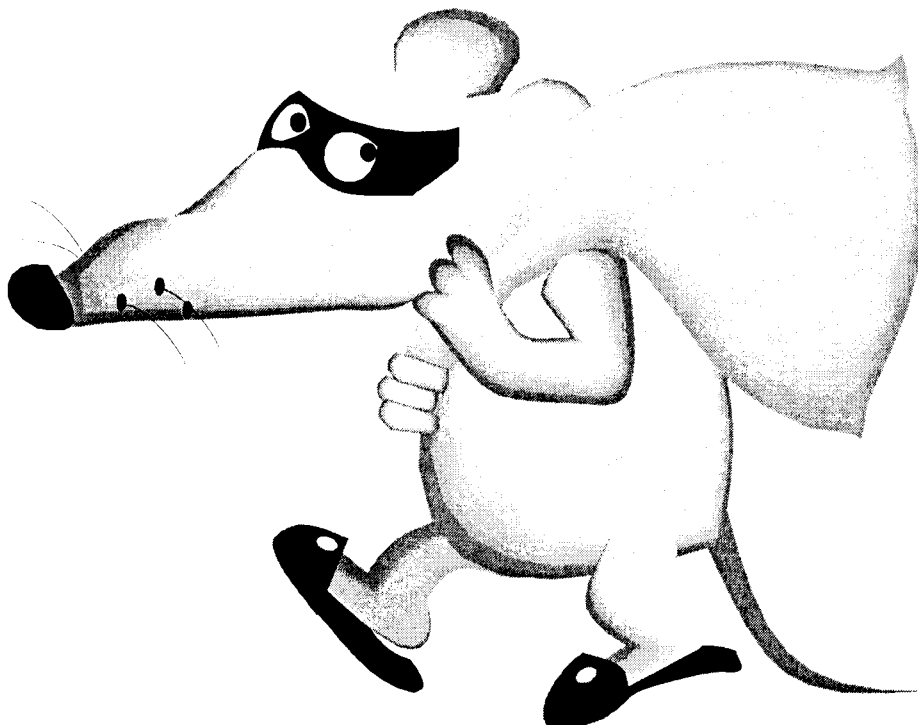
Although anyone and everyone is vulnerable, the elderly are at particularly high risk, for a number of reasons identified by the NCEA: (1) older Americans as a group are wealthier

Americans, making them a particularly attractive target to criminals; (2) many seniors live alone, which shields abusers from scrutiny and insulates victims from those who can help; (3) elders with diminished mental capacity are particularly susceptible to certain crimes like the surreptitious transfer of property

against them they are merely advertising their vulnerability, making them the objects of "protective proceedings" like conservatorships or nursing home placement that may result in the loss of their freedom.

The perpetrators are often caregivers and family members. The victim may

want to stop the exploitation and recover his assets, but is less interested in punishment, due to the close ties with the perpetrator that he wants to preserve. Elder financial abuse may go unreported because the victim believes that he or she is partially responsible for their own victimization, out of greed or foolishness. Scams often succeed because the victim is



or assets; (4) due to physical and mental impairments, many seniors rely on others for assistance, making them vulnerable to unscrupulous caregivers who have access to financial information, documents, and valuables and are in a unique position to coerce, influence, and even control the victim.

Unpunished Crimes

Stopping elder financial abuse and punishing the wrongdoers can be difficult and even impossible in many cases. Many elderly victims fail to report crimes or abuse to the police or even to their own families out of shame or embarrassment, says the NCEA. Some seniors believe—and rightly so, perhaps—that by reporting a crime

promised something for nothing, and the elder is motivated by greed to become involved.

As the NCEA report says, "the reality is more complex." The NCEA report, "Forgotten Victims of Elder Financial Crime and Abuse: A Report and Recommendations," is available online at <http://www.gwjapan.com/NCEA/publication/fvefca.pdf>.

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A Medicaid Tale of Woe: Court Nixes Controversial New Jersey Planning Technique

For two or three years, Medicaid planning attorneys in New Jersey had been able to accomplish something that planners in most other states were not able to do: save virtually every penny of a married couple's assets in the event one spouse enters a nursing home.

Before the explanation, first the background: at the time that the spouse enters the nursing home, the state Medicaid agency takes what is called a "snapshot" of the married couple's assets. Where the couple has countable assets—such as money in the banks, and stocks and bonds—an allocation of those assets is made between the spouses.

If a couple has \$100,000 in a joint savings account at the time the spouse is institutionalized, then \$50,000 is allocated to each spouse. The couple would have to "spend down" \$48,000 (the nursing home spouse's \$50,000 share less \$2000 exempt) before the nursing home spouse could qualify for Medicaid. The other half is set aside as the protected resource amount for the spouse at home (the community spouse).

The planner's goal in these cases is to transfer the assets at risk for the nursing home spouse's care for the benefit of the spouse at home. Normally, transferring assets incurs a Medicaid ineligibility period. Medicaid law states, however, that assets can be transferred to "a third party for the sole benefit" of the community spouse without incurring a Medicaid ineligibility period.

In 1994, New Jersey Medicaid planners convinced the State Department of Human Services that assets allocated to the nursing home spouse could be transferred to a trust that then pays out an annuity to the community spouse. The trust is "actuarially sound" within the meaning of Medicaid law because the entire income and corpus will be issued to the community spouse within

her lifetime.

As a condition to approving such transfers, however, the New Jersey DHS required that if the community spouse died before all funds in the trust were paid out, the State was the first beneficiary of the trust.



The Pig Rule

Once transferred to the trust, the assets allocated to the nursing home spouse would not have to be spent down for nursing home care. In effect, the nursing home spouse could obtain instant Medicaid eligibility.

On April 16, 1998, however, a letter was issued by Robert Streimer, on behalf of federal Medicaid authorities, to a private attorney in Virginia.

The Streimer letter agreed that an actuarially sound transfer did not result in a Medicaid ineligibility period, but disagreed that actuarial soundness had any bearing on whether the assets in the trust were countable resources.

Shortly after the Streimer letter was issued, the New Jersey DHS stopped ruling on the validity of trusts submitted for its approval. Finally, in July

1999, DHS indicated it would approve pending trusts only, and then only if the funds were used to purchase a commercial annuity, naming DHS first beneficiary.

Several New Jersey residents brought suit against New Jersey DHS, contending that the abrupt and unwritten

change of policy pertaining to the trusts violated their due process rights.

One of the plaintiffs had transferred over \$800,000 to a spousal annuity trust, prompting some New Jersey elder law attorneys to mutter privately that such blatant violations of the "pig rule" were partially to blame for the State's policy change. (On Wall Street, the saying goes, the bulls make money, and the bears make money; the pigs are slaughtered.) In a ruling handed down last month, a New Jersey federal district court agreed with the reasoning articulated in the Streimer letter and subsequently applied by New Jersey's Medicaid authorities. In a standard annuity,

the buyer is only entitled to the income stream purchased and cannot reclaim the funds used to purchase the annuity.

By contrast, because the funds in the spousal annuity trust can be paid out to the community spouse over her lifetime, those funds are a countable resource to the community spouse in calculating the spousal share, her protected resource amount, and in determining Medicaid eligibility for the nursing home spouse.

Johnson v. Guhl, April 7, 2000.

*Reprinted from Elder law FAX, May 1, 2000.
©2000 by Timothy L. Takacs, Certified Elder Law Attorney, Hendersonville, TN. Contact the author by email at: ttakacs@tn-elderlaw.com. Or view Elder law FAX online at <http://www.tn-elderlaw.com/elderfax.html>.*

A New Life for Unwanted Life Insurance Policies

Do you have clients who no longer want to maintain their insurance policies? In the past, their only alternatives were "lapse" or "surrender." Lapse a policy and you get nothing. Surrender it and receive only the net cash surrender value. New changes in laws affecting life insurance may mean that your clients can do better—a whole lot better. A potential option, Life Settlements, now exists which may enrich policy owners with significantly greater funds. You have a responsibility to apprise your clients of this option.

You may have heard of Life Settlements before. They are sometimes referred to as senior settlements, viatical settlements or high net worth transactions. A rose by any other name would smell as sweet. Life settlements are the result of a secondary market for life insurance policies and may provide an exciting opportunity some of your clients can take advantage of.

A few major players and many smaller investors are interested in purchasing life insurance policies that might otherwise lapse or be surrendered. Which policies have potential for sale in this market? Those belonging to an insured with a life expectancy of 12 years or less. Potential buyers are primarily interested in policies covering insureds who are at least seventy or have a reduced life expectancy due to health conditions. The ideal policy insures someone who has had a change in health since the policy was purchased. It has a face value of at least \$250,000. Any policy that is beyond the contestable period is fair game.

If you have clients who may be

interested in Life Settlements, it is best to deal with reputable financial organizations. This ensures personal and medical data remain confidential.



Changing Needs Suggest New Strategies

Individuals purchase life insurance to address a variety of financial concerns. They may be concerned about covering estate taxes. They may want to protect themselves against individual or business risks. When the reasons that prompted their initial investment no longer exist, they may no longer want or need to maintain policies.

Retirement, health problems, fluctuation in estate size or the sale of a business are all events that may impact on a decision to sell. Situations where

Life Settlements come into play include:

- *Key person insurance.* The insured retires or leaves a business and insurance is no longer necessary.
- *First-to-die to second-to-die estate planning.* A single life policy purchased years earlier for estate planning purposes becomes obsolete when clients decide to buy survivorship insurance.
- *A change in personal finances.* The policy owner can no longer afford the policy or income replacement coverage becomes a non-issue.
- *The sale of a business.* A policy has a hidden value in excess of that expressed on the corporate balance sheet.
- *The purchase of a co-owner's business interest.* Cash flow considerations of the purchase force the new sole owner to seek relief from costly premium payments on the seller's life policy.
- *Discount planning.* The insured prefers to acquire a minority, lack of marketability interest in an entity that he or she owns which may prove to be a superior investment.

Without question, a Life Settlement can be a tremendous boon to an owner who qualifies and wants to dispose of a life insurance policy. Liquidity springs from a dormant asset. The owner saves on cash expenditures for premiums and is able to avoid gift and generation skipping taxes. At the same time, annual exclusions and unified credits are available for other gifts. An owner who takes advantage of a Life Settlement has increased funds to use personally. There is also the opportunity

(Continued on page 18)



(Continued from page 17)

to help family members and pursue philanthropic endeavors.

An Example: How It Works

John Smith (not his real name), who is 70 years old, has an irrevocable life insurance trust (ILIT) which owns a \$25 million policy on his life. The annual premium on the policy is \$1 million. Each year \$550,000 in gift taxes must be paid. The policy has a \$3.5 million cash surrender value. John has a four year life expectancy. The ILIT decides to sell the policy for \$14 million through a Life Settlement.

Why did the trustee sell this policy when John was expected to die in four years? To acquire an interest in a closely held business owned by the insured. Since the ILIT was designed to be an intentionally defective grantor trust (as to income taxes, not estate taxes), the entire \$14 million was available for purchase. The insured's lawyers determined the trustee could use the \$14 million Life Settlement proceeds to purchase an interest that had an underlying value of \$22 million (due to discounts permitted in the valuation of the asset).

The business had posted annual growth between 18 and 23% for seven consecutive years. Assuming continued 20% yearly growth for the next four years, John will have in effect removed a \$46 million asset from his estate. In addition, \$4 million in premiums and \$2.2 million in gift taxes will be saved.

Tax Implications

The proceeds of a true viatical settlement where the insured is expected to die within 24 months are not generally subject to federal income tax. There are, however, exclusions to the general rule when the owner is someone other than the insured. If that owner has an insurable interest because the insured is an employee, officer or director, proceeds are taxed as though the policy is a Life Settlement. The same tax implications exist if the owner has a financial interest in the insured.

Nonetheless, tax treatment of a Life Settlement is very favorable. While there is no official interpretation of tax treatment for Life Settlements, one national accounting firm has interpreted tax code such that proceeds up to basis generate no tax exposure. Ordinary income tax liability exists on the difference between the owner's income tax basis and the cash surrender value. And capital gain treatment applies for proceeds in excess of the greater tax basis or cash surrender value. Potentially, the IRS could interpret the tax code such that excess gain would be taxed as ordinary income—a worse case scenario that most purchasers are willing to live with. What your client will want to know is whether he or she will realize a higher net after taxes through a sale, surrender or lapse. The Life Settlement is a vehicle that has the potential to deliver higher profitability.

Here's an example of a Life Settlement and its tax implications. Let's suppose the insured has a policy for which the cash surrender value is \$500,000. A Life Settlement for that policy pays \$1,000,000. The insured's income tax basis is \$300,000. Under this scenario, tax implications are as follows: \$300,000 is a return of basis; \$200,000 is taxed as ordinary income; \$500,000 is taxed as a capital gain. If capital gain taxes are due, the seller receives \$400,000 more than if the policy is surrendered. If the \$500,000 is taxed as ordinary income, the seller still realizes approximately \$300,000 more than if the policy is surrendered. A tidy profit.

How To Make It Happen

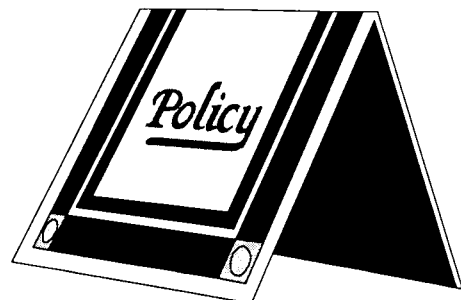
The process to underwrite a Life Settlement requires an application, a copy of the policy and an in-force illustration assuming a zero cash surrender value at 95. The insured needs to provide the most recent annual statement, executed medical authorization forms, medical records for the previous two years and a family health history. No medical examinations or blood samples are required.

The insured can expect that the price to be paid for the policy will escalate as his or her life expectancy decreases. The lower the ratio of premium to face amount, the higher the purchase price.

The underwriting process can take up to eight weeks. The escrow process following policy owner acceptance takes approximately 5-10 days. The seller can elect to have the purchase price wired or expressed.

Life Settlements are part of a new secondary market. They present an excellent opportunity for a limited segment of the population. You can strengthen your advisory position and help your clients who are potential prospects for Life Settlements by making sure they are informed. Then, select an insurance agent who has access to the major players in this specialized market to ensure your client gets top dollar when it comes to selling. An informed agent sets up an auction environment where the highest bidder wins. When the highest bidder wins, so do you and your client.

John E. Mayer is president of BFA® Family Wealth Planners, a registered investment advisor firm with offices in Livonia, West Bloomfield, and Ann Arbor, MI; and Naples, FL. He can be reached at (800) 452-4983.





New Study Says Aging Baby Boomers To Cause Health Care Havoc

Baby Boomers have always exerted a huge influence on society and institutions as they have moved through life—like a “pig moving through a python.” The Hudson Institute has released a book, entitled *Health Care 2020: The Coming Collapse of Employer-Provided Health Care*, that details the impact that the 76 million Baby Boomers near retirement age will have on the U.S. health care delivery system. The findings were presented at a public forum sponsored by the Society of Professionals in Health Care.

Hudson scholar and *Health Care 2020* co-author Donald Jonas examined the future of America’s health care delivery system as a demise of employment-based health insurance, an increase in personal medical savings accounts, and possible intergenerational warfare.

“When Boomers enter the new millennium, they will be retiring in droves, straining employer health plans, clogging promotion pipelines, and Social Security and Medicare will

become bankrupt,” Jonas said.

Jonas emphasized that the research for this book highlights how the changes in health care will pose serious threats in the health care treatment and delivery system for all generations.

“The emphasis will be on cheaper care for the elderly, such as home health care, and ‘kid care’ programs will suffer as more and more money is spent on the elderly majority population,” Jonas said.

Highlights of *Health Care 2020* include: The ratio of those aged 25-64 to those over 65 stays at about 4 to 1 until 2010. In 2011, the first Boomer turns 65. By 2020 that pool of potentially productive employees to “wannabe” retirees drops to 3 to 1. The year of 2030 drops the ratio to nearly 2 to 1.

With the demise of employment-based health insurance, pressure will mount on “kid care” programs as more resources are spent on the elderly Boomers. More attention will be given on how to reduce the cost of health care for the elderly.

The “bioethics” debate will become a bombshell. How much health care can we afford for the very old and sick? Should every conceivable procedure and therapy be used, or is someone to “play God” and determine whether there is some “duty to die”?

The authors also offer three possible scenarios, ranging from an idyllic world to a disaster scenario.

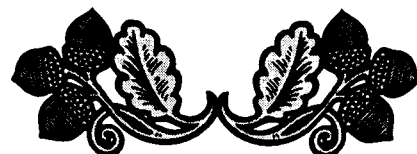
Hudson Institute is an internationally recognized public policy research organization that develops solutions and forecasts trends for governments and businesses. Founded in 1961 by the late Herman Kahn, the not-for-profit organization has more than 75 researchers and employees at its corporate headquarters in Indianapolis and offices in Washington, D.C.; Madison, Wisc.; Tampa, Fla.; London; Montreal, and Moscow.

This article is based on a press release issued by the Hudson Institute. To order their new book, visit the institute’s website at <http://www.hudson.org> or call 1-800-483-7666.

What Causes Participation Rates for Index Annuities to Drop?

Index annuity rates, including renewal rates, are affected by bond yields and option hedging prices. For these products to qualify as fixed annuities, they must have a return element guaranteeing that at the end of the surrender period the annuity’s value will at least be equal to 90% of the original premium with interest compounded at 3.0% (Some companies offer higher minimum returns than this requirement). To protect this minimum guarantee insurance companies invest in bonds and leave a portion of the funds to buy the options that provide excess interest. When bond yields fall, however, more dollars need to be invested in bonds in order to preserve the minimum guarantee. This, in turn, leaves less money to buy options. In recent years, we have been in a declining interest rate environment. With the lower interest rates, more pennies of each dollar must be allocated to bonds. With fewer pennies to buy options, participation rates have to fall—unless option prices also decline. But rather than falling, option costs have actually increased. Option costs are affected by market volatility, which has accelerated and caused them to increase dramatically. Renewal rates have also been affected by declining bond yields, which leaves less money to purchase options. That combined with an increase in option prices has resulted in lower participation rates and/or cap rates.

Adapted from an article that appeared in the August 1999 issue of Newslinc, a marketing newsletter published by Lincoln Benefit Life Company.



“Substantial Compliance” Doctrine Couldn’t Save Unsigned Plan Beneficiary Designation

A filled-out 401(k) plan beneficiary designation form that was submitted to the plan unsigned was ineffective, even though the plan had accepted the form and didn’t return it to the participant for completion (although it was the plan’s standard policy to return unsigned forms). Further, the unsigned beneficiary designation was insufficient to be given effect under the “substantial compliance” doctrine under state law. (*BankAmerica Pension Plan v. McMath, Alexander* (2000, CA9) 2000 WL 266677)

Clarence Montgomery worked at the Bank of America and was a participant in its pension plan and 401(k) plan until his death in November of 1996. In 1990, Montgomery submitted a beneficiary designation form for the 401(k) plan, designating three primary beneficiaries: his mother, his father, and his sister. In March of 1996, an unsigned beneficiary form was submitted for the 401(k) plan, naming Alexander McMath as the sole primary beneficiary. The 401(k) plan accepted the form, but failed to notice that it had not been signed.

After Montgomery’s death, the 401(k) plan realized the omission of Montgomery’s signature on the 1996 beneficiary designation and informed McMath and Montgomery’s family. Both asserted claims to Montgomery’s interest in the 401(k) plan after they failed to reach an agreement on a division of Montgomery’s 401(k) plan proceeds (the amount of which was not disclosed in the decision). In 1997, the plan administrator determined that the unsigned beneficiary form was valid,

and that McMath was entitled to Montgomery’s 401(k) plan benefit. The 401(k) plan’s administrative committee upheld the claim’s administrator on appeal.

The plans filed an interpleader action under ERISA to resolve the parties’ respective positions, and the district court released the plans from liability (after the plan released control of the proceeds to the court). The district court found that there were no genuine issues

only for abuse of discretion. But if the grant of authority was insufficient, then the court itself would have determined the proper beneficiary.

The 401(k) plan provided that the administrative committee had discretionary authority to determine eligibility for benefits. However, the court pointed out that the committee was *not* given the discretion to waive the plan’s signature requirement for beneficiary designations. The plan

clearly provided that a beneficiary designation had to be made by submitting a beneficiary designation to the plan, and that a participant made a beneficiary designation “by completing and signing the form” prescribed by the committee for that purpose, and filing that form with the plan. The plan further specified that the committee did *not* have the power to add to, subtract from, or modify, any of the plan’s terms, or to waive or fail to apply

any eligibility requirements for plan benefits. Thus, the Ninth Circuit concluded that the plan’s administrative committee did *not* have the discretion to determine whether the beneficiary designation requirements were met.

Nonetheless, the court said that courts have discretion to apply the equitable doctrine of “substantial compliance,” which in appropriate cases would allow less than strict compliance with the plan’s terms, if the compliance with the plan’s terms was “substantial.”

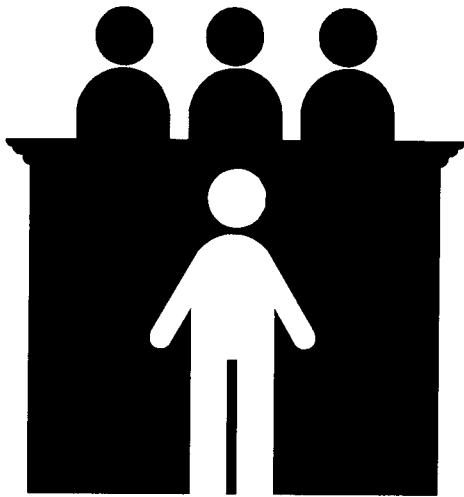
ERISA preemption. Although no ERISA provision expressly governs disputes between claimants to plan proceeds, ERISA preempts any state

(Continued on page 22)



of material fact and ruled in favor of McMath. According to the district court, although ERISA preempted California’s doctrine of substantial compliance, under the federal common law version of the doctrine, Montgomery effectively designated McMath as his beneficiary, despite the lack of a signature on the beneficiary designation form. Montgomery’s mother, sister, and estate appealed to the Ninth Circuit.

According to the Ninth Circuit, if the 401(k) plan’s grant of authority to the administrative committee was sufficient to cover the committee’s benefits determinations, then the court would have reviewed the committee’s decision



(Continued from page 21)

laws that "relate to" any employee benefit plan. Whether ERISA preempts a state substantial compliance doctrine was a question of first impression in the Ninth Circuit, the court said. So the court looked to the Fourth and Tenth Circuits, which had addressed the issue.

The Tenth Circuit held that ERISA's concerns with state law doctrines that modify a plan apply only where the potential modification is material. The doctrine of substantial compliance does not materially modify a plan, according to the Tenth Circuit. Rather, that doctrine is simply used to assist the court in determining whether conduct should be considered the equivalent of compliance under the contract. (*Peckham v. Gem State Mutual of Utah* (1992, CA10) 964 F2d 1043)

The Fourth Circuit rejected the Tenth Circuit's analysis and found instead that the test of ERISA preemption is whether a state law "relates to" a plan, not whether a state law modifies a plan. (*Phoenix Mutual Life Insurance Co. v. Adams* (1994, CA4) 30 F3d 554)

The Ninth Circuit agreed with the Tenth Circuit, finding that the Fourth Circuit's view was more closely allied to the expansive view of preemption from which the Supreme Court has since retreated. Under the current ERISA preemption analysis, a law "relates to" an employee benefit plan if it has: (1) a "reference to," or (2) a "connection with," an ERISA plan.

California's doctrine of substantial compliance does not have reference to ERISA plans, since it does not act

immediately and exclusively on ERISA plans, and the existence of ERISA plans is not essential to the doctrine's operation. To determine whether the doctrine of substantial compliance has a "connection with" ERISA plans, courts look to both ERISA's objectives, and the nature of the effect of the state law on ERISA plans.

In its preemption analysis, the Ninth Circuit distinguished between laws that affect the administration of plans, and those that "merely" affect the ultimate ownership of the distributed benefits. The fact that a state law would require the distribution of plan proceeds to a person other than a designated beneficiary does *not* mean that the state law must be preempted. Rather, where the administrative burdens imposed by the state law are slight, the presumption against preemption would not be overcome. Thus, the court concluded that, because the state law doctrine of substantial compliance would not affect the administration of a plan, but merely aid in determining the identity of the proper recipient of plan proceeds, the doctrine was not preempted.

Substantial compliance. Under California's substantial compliance doctrine (which usually applies in the context of insurance contracts), where an insured makes every reasonable effort under the circumstances, complying as far as he is able with the rules, and there is a clear manifestation of intent to make a change, equity should regard the change as having been made. The Ninth Circuit said that the focus of this doctrine is the prevention of beneficiary changes because of the insurer's failures, rather than the insured's failures.

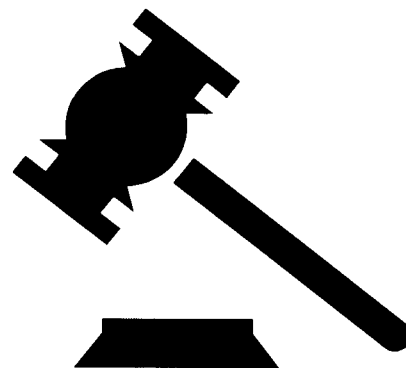
The Ninth Circuit contrasted Montgomery's failure to sign the beneficiary designation form with the case of an insured who signed a change of beneficiary form while ill in the hospital, acknowledged his signature before a notary public, and made statements to those around him that he was changing his beneficiary. The insured then entrusted the form to his attorney to take all the necessary steps to complete the change, but the form was never forwarded to the insurer, a

fifty-cent fee was not paid, and various ministerial actions required of the insured's officers were not taken. In that case, the state court concluded that the insured had done all he could do to change his beneficiary, and the reason for the failure was beyond his control.

In this case, said the court, Montgomery was more at fault than the plan (which didn't return the unsigned beneficiary designation form to Montgomery), since he had been careless and did not do all that he could have done. Thus, Montgomery did not substantially comply with the 401(k) plan's beneficiary designation requirements. As a result, the court reversed the district court's decision for McMath, and remanded the case.

Observation: The implication of the court's application of the substantial compliance doctrine is that if a plan participant intends to change his beneficiary designation, signs the plan's beneficiary designation form (assuming the plan has one and requires its use) and does all he can to comply with the plan's other requirements for changing a beneficiary designation, and the participant has thus manifested his clear intention to change his beneficiary designation, the Ninth Circuit would give effect to the would-be change—even if the plan's requirements for changing beneficiaries were not actually met.

Reprinted from Pension & Benefits Week, March 20, 2000 issue. Research Institute of America Group. Subscriptions: 800-421-9025, \$290/yr.



Recent Law Change May Encourage Use of Excess Pension Assets to Fund Retiree Health Benefits

Employers with well-funded pension plans will be pleased to note a small revenue raiser that helped to foot the bill for the "Ticket to Work and Work Incentives Improvement Act of 1999" (P.L. 106-170) recently signed into law by President Clinton. This statutory change to Code Sec. 420 enables employers whose plans meet specified criteria to use surplus pension assets to pay for retiree health benefits. The amendment to Code Sec. 420, which primarily extends current law through December 31, 2005, also changes the way in which an employer's maintenance of effort provision is measured for this purpose by substituting a "maintenance of cost" requirement for the "maintenance of benefit" role contained in prior law.

Background

For many years employers have been restricted in the extent to which they may use extra assets that have accumulated in a defined benefit plan. Assets generally may be used only to pay retirement benefits and associated administrative expenses, and amounts returned to the employer are generally subject to a hefty "reversion" tax. Since 1991, however, employers have been permitted to transfer surplus assets from a defined benefit plan to an account for the payment of retiree health benefits. For this purpose, a plan is deemed to have surplus pension assets only to the extent that the plan is fully funded, with no contributions due for the coming year, and assets must exceed 125% of a plan's current liability.

To take advantage of this type of transfer, several rules must be followed and important employee protections granted. Among these are:

- the transferred amount may be used only to pay retiree health benefits for the year of the transfer;
- the transferred amount must approximate the amount of health expenses anticipated for the year;
- an employer may make only one of these transfers in a year;
- all participants in the pension plan are generally entitled to immediate vesting of their pension benefits that had accrued as of the transfer; and
- the employer must commit to a "maintenance of effort" with respect to the retiree health benefits.

Maintenance of Effort Standard

As originally enacted, Code Sec. 420 required that employers electing an asset transfer were required to satisfy a maintenance of effort standard by continuing to pay for a specified level of retiree medical benefits for the year of the asset transfer and the following four years. This minimum level was based on average per capita retiree health costs for the higher cost year of the two years preceding the asset transfer and was known as "maintenance of cost." GATT changed this maintenance of cost effort to a maintenance of benefit effort, however, for transfers occurring after December 8, 1994. Under this GATT change, the health benefits provided by an employer for the year of an asset transfer and the next four years were required to be "substantially the same" as the health benefits provided in the year before the transfer. The intent of this law change was to permit employers to achieve cost savings in their health benefit plans (through the adoption of managed care provisions, etc.) without penalizing these efficiencies, provided retirees continued to be provided with the same level of health benefits. Rather than freeing employers to pursue this route, however, the shift to a maintenance of benefit standard has had the unintended effect of deterring many employers from using the Code Sec. 420 provisions because of uncertainty over how compliance with the standard would be measured under the new rules and the increased risk of open-ended, unproductive litigation over what constitutes a substantial change in benefits.

Change to Current Law

With the 1999 change, the maintenance of effort rule will again be measured on the basis of costs. Although, in general, the amendment to Code Sec. 420 is effective for transfers made after December 31, 2000 and before January 1, 2006, the change to the maintenance of cost requirement is effective as of the date of the bill's enactment, December 17, 1999. Where both the maintenance of cost requirement and the maintenance of benefit requirement apply to a particular year, the employer will need to satisfy the maintenance of benefit requirement for the year or years of the overlap. The new law also gives the IRS authority to write a rule that would prevent employers from circumventing the new maintenance of cost rule by reducing the number of retirees for whom they pay medical expenses.

Impact

The extension of Code Sec. 420 and the return to a maintenance of cost standard should be of special interest to employers with defined benefit plans that are well funded. In particular, employers who have followed a conservative funding route over the years, or whose equity-based plan assets have experienced a significant increase in value in the 1980s and 1990s, may find the idea of using some of these assets to pay for retiree health benefits to be quite appealing. Employees (and retirees) of an employer in such a position also should welcome the use of these surplus pension assets to establish or augment retiree health benefits, particularly in an era when many other employers are eliminating these benefits. In addition, the return to a maintenance of cost provision should provide employers with a greater degree of certainty in understanding how this standard will apply to their plans, thus protecting the interests of both employers and retirees by assuring that compliance with the standard will be predictable as well as measurable.

Reprinted from Pension & Benefits Week, February 14, 2000 issue. Research Institute of America Group. Subscriptions: 800-421-9025, \$290/yr.

Ninth Circuit Court Rules that IRAs Qualify for Exemption From Bankruptcy

The Ninth Circuit has held that an IRA is a plan or contract that is "similar" to a pension, profit-sharing, and other specified retirement plans, so that an interest in an IRA was exempt from a debtor's bankruptcy estate. Thus, the Ninth Circuit has aligned itself with other circuits that have addressed this issue. (*McKown, Robert, In re* (2000, CA9) 2000 WL 149407)

Mr. and Ms. Robert McKown filed a Chapter 7 petition for bankruptcy, and claimed an exemption, under applicable California law, for an IRA worth \$6,400. The exemption was upheld in the bankruptcy court and before the bankruptcy appeals panel. The bankruptcy trustee appealed, claiming the money in the IRA for the McKowns' creditors.

Although California "opted out" of the federal bankruptcy exemptions, making the enumerated federal exemptions (under 11 USC § 522(d)) inapplicable, the California exemption statute allowed a debtor in bankruptcy to elect to have exemptions apply that are almost identical to the federal exemptions.

Under the California statute (Cal. Code Civ. P. § 703.140(b)(10)(E)), as under the federal Bankruptcy Code exemption provision, a debtor has an exemption for a right to receive a payment under a stock bonus, pension, profit-sharing, annuity, or "similar plan or contract," unless the plan or contract does not qualify under Code Sec. 401(a), Code Sec. 403(b), or Code Sec. 408 (or unless other conditions, not here relevant, apply).

The bankruptcy trustee argued that an IRA is *not* "similar" to the other retirement plans specified. For example, an IRA is established by the employee, while pension and profit-sharing plans are established by the employer; an IRA

is controlled by the debtor; and the debtor can withdraw money from an IRA whenever he likes. The McKowns, on the other hand, pointed out that IRAs are devices to provide for retirement, so that IRAs are "similar" to pension and profit-sharing plans.

The Ninth Circuit found arguments



on both sides to be plausible. But most compelling to the court was the argument that other circuits had interpreted language almost the same as that in the California exemption statute to exempt IRAs. Although the Ninth Circuit acknowledged that technically it was construing a state law, the court said that other circuits' interpretations of the federal bankruptcy provision were interpretations of language "materially identical" to the California statute. There was no good reason to create a circuit split on exemption of IRAs from bankruptcy estates, the Ninth Circuit said, referring to decisions allowing a bankruptcy exemption for IRAs in the Fifth Circuit (in

Carmichael v. Osherow (1996, CA5) 100 F3d 375), and the Second Circuit (in *Dubroff v. First National Bank of Glens Falls* (1997, CA2) 119 F3d 75).

The Ninth Circuit found one argument for exemption to be irrefutable. The federal and California exemption statutes make the bankruptcy exemption

for a pension, profit-sharing or "similar plan or contract" inapplicable if the plan or contract does not qualify under Code Sec. 408 (among other conditions). Code Sec. 408 focuses exclusively on IRAs. There is no reason for legislators to exclude *non-qualifying* IRAs from the bankruptcy exemption, the Ninth Circuit said, unless they intended that qualifying IRAs *could be* exempt. The Second and Fifth Circuits also found this argument compelling.

The bankruptcy trustee argued that the reference to Code Sec. 408 refers only to Code Sec. 408(k), which addresses simplified employee pensions (SEPs). But the Ninth Circuit rejected this argument, because the statute referred to *all* of Code Sec.

408, not just to Code Sec. 408(k). The very same subsection of the California (and the federal) exemption statute, Cal. Code Civ. P. § 703.140(b)(10)(E) (and 11 USC § 522(d)(10)(E)) specified other Code *subsections*: Code Sec. 401(a), Code Sec. 403(a), and Code Sec. 403(b). The court inferred from this that the California (and federal) exemption statute must have contemplated an exemption for all IRAs, if they meet the requirements of Code Sec. 408 (as all IRAs must to receive favorable tax treatment) and the other statutory conditions for exemption under California law are met.

(Continued on page 25)

The court concluded that, although IRAs are not *identical* to the other plans listed in the statute, an IRA is similar enough to the other plans to be treated like a "similar plan or contract."

Observation: An IRA that meets the requirements of Code Sec. 408 might not be exempt from a debtor's bankruptcy estate, even if it is acknowledged that an IRA is a "similar plan or contract" to a pension or profit-sharing plan. For example, based on the requirements of the federal Bankruptcy Code exemptions (under 11 USC § 522 (d)(10)(E)), some courts have disallowed a bankruptcy exemption for a debtor's right to receive payments under an IRA because: (1) the debtor had no present right to receive the payments; (2) the debtor's right to receive payments was not on account of illness, disability, death, age, or length of service; and (3) IRA payments were not reasonably necessary for the support of the debtor. For example, an exemption for an IRA was denied because a debtor's access to IRA funds (the 10% early withdrawal tax didn't prevent access) meant that the debtor's right to payment from the IRA -was not on account of illness, disability, death, age, or length of service, see *Zott, Daniel N., In re (1998, Bkcty Ct MI) 1998 WL 640916*. Also, a debtor was not allowed to exempt his right to payments from an IRA because he had no right to a present payment (an extension of the requirement that the payment of benefits be necessary for the debtor's support), because here, the 10% early withdrawal tax was considered to impede a right to present payment, see *Chick, In re (1991, Bkcty Ct CT) 135 BR 201*. Other limitations apply under some state exemption statutes. See, for example, *CRS Steam, In re (1998, Bkcty Ct MA) 1998 Bankr LEXIS*, in which a Massachusetts statute provided a bankruptcy exemption for retirement plans, but not for sums deposited in an individual's plans in excess of seven percent of his total income within five years of his declaration of bankruptcy.

Reprinted from Pension & Benefits Week, February 21, 2000 issue. Research Institute of America Group. Subscriptions: 800-421-9025, \$290/yr.

ERISA Section 510 Violation Affirmed Where Employees Showed Causal Link Between Termination and Interference With Benefits

The Sixth Circuit has affirmed a district court's finding that an employer's decision to terminate certain employees before they reached aged 65 was done to interfere with their pension rights, and was not based on any shortcomings in their performance. (*Pennington, Alex v. Western Atlas, Inc., (2000, CA6) 2000 WL 132673*)

Alex Pennington and Gene Cunningham (employees) worked for the Materials Handling Division (MHD) of Litton Industries when they were terminated as part of a reduction in force. At the time of the termination, Pennington was 60 years old and Cunningham 59. By being terminated before reaching age 65, Pennington's and Cunningham's pensions were about one-half what they would have been had they continued working until age 65.

After being let go, the employees sued MHD in federal district court, claiming that they were terminated in violation of ADEA and ERISA § 510. Though losing their ADEA claims, the employees were successful on their ERISA claims, with Pennington receiving an award of \$135,000 and Cunningham getting \$348,000.

MHD appealed the awards, arguing that the court's conclusion that the employees' termination was motivated by intent to interfere with their pension rights was erroneous. MHD claimed that, under *Humphreys v. Bellaire Corp., (1992, CA6) 966 F2d 1037* the "incidental loss" of the chance to accrue additional benefits is not evidence of an ERISA § 510 violation, and that the employees failed to show evidence of a specific intent on MHD's part to interfere with their benefits. The Sixth Circuit disagreed, and citing *Smith v. Ameritech, (1997, CA6) 129 F3d 857,*

stated that a plaintiff can make a prima facie ERISA § 510 without presenting direct evidence of the employer's specific intent by showing (1) prohibited conduct on the part of the employer, (2) that's undertaken to interfere, and (3) with the employee's attaining any fight to which he might become entitled.

The Sixth Circuit said that the employees made their prima facie case by showing that MHD, by terminating them before age 65, avoided having to pay them the additional pension benefits to which they would have been entitled had they remained working until age 65. Further, the Sixth Circuit stated that the employees provided a causal link between their termination and the interference with their benefits by showing that:

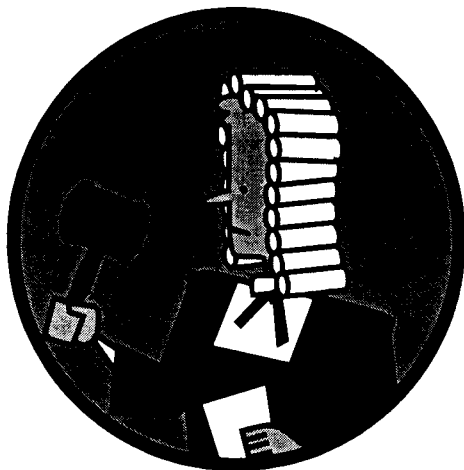
- MHD maintained a computer spreadsheet that classified employees by factors such as age and benefit information,
- MHD management wanted to reduce salaries and medical costs without regard to lawsuits; and
- the downsizing was not age neutral.

MHD next argued that the district court's decision should be overturned because MHD had offered, legitimate reasons for the employees' discharge. At trial, MHD said the employees were terminated because of poor performance, workplace disruption, and in Cunningham's case, failure to use computer aided design software.

The Sixth Circuit stated that MHD's contentions were rebutted by the employees, who showed that their performance reviews shortly before termination were excellent, that other employees did not consider them disruptive, and that Cunningham did indeed use the computer aided design software. Thus, the court upheld the employees' monetary awards.

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Amendment to Divorce Decree After Participant's Death Didn't Entitle Former Spouse to Pre-retirement Survivor Annuity

A state court's retroactive modification of a divorce decree to give a deceased participant's spouse survivorship rights to a portion of the participant's vested pension benefits was not a qualified domestic relations order (QDRO), and did not entitle the spouse to pre-retirement survivorship rights under the plan, the Third Circuit has held. (*Samaroo, Louise v. Winston R. Samaroo* (1999, CA3) 1999 WL 744019)

Observation: By virtue of its decision, the Third Circuit effectively held that a state court cannot modify a QDRO with respect to a participant's employer-derived interest in a pension plan after the participant's death.

Louise Robichaud and Winston Samaroo were divorced in October of 1984, by the New Jersey Superior Court, Chancery Division. The divorce decree included a property settlement in which Winston agreed that, when he

retired and began to receive his pension under the AT&T Management Pension Plan, he would pay Louise one-half of his monthly benefit. Neither the decree nor the property settlement mentioned that Louise would have any rights to a survivor annuity in plan benefits in the event that Winston should die before he retired.

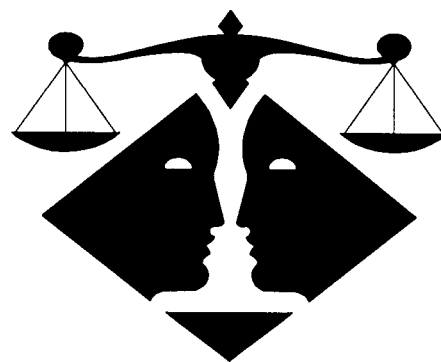
Under the AT&T plan, based on Winston's age and years of service, he had a vested right to pension benefits, payment of which would have begun, at the earliest, at age 55. But Winston died in 1987 at age 53, while still actively employed at AT&T. Because Winston didn't live until at least age 55, he had never begun to receive any pension payments. And because no pension benefits ever became payable to Winston, the benefit provided in the divorce decree—which was based on Winston's receiving a pension—never came to fruition. Although the AT&T plan provided for survivors' annuities in favor of surviving spouses, the plan found that Louise had no right to a pre-retirement survivor's annuity because, when Winston died: (1) he had no spouse, and (2) there was no QDRO in effect that indicated that Louise had any survivorship rights to Winston's pension.

Confronted with the plan's denial of her survivorship rights, Louise filed a motion in the New Jersey state court to amend the divorce decree to retroactively convey to her a right to 50% of the pre-retirement survivor's annuity payable with respect to Winston. The AT&T plan removed the action to federal district court and also filed an action seeking a declaration that Louise was not entitled to pre-retirement survivor's benefits. The federal district court remanded the portion of the case that involved the terms of the divorce, but retained jurisdiction of Louise's claim for retirement benefits.

After a hearing, the New Jersey state court amended the divorce decree retroactively to give Louise rights of survivorship to 50% of Winston's vested pension benefits. The state court

was affected by evidence that the divorce had been amicable, and that Winston had intended that Louise receive a half-interest in everything he had or was entitled to. But the state court recognized that, despite its decree, whether any benefits would become payable under the plan was a question of federal law over which the federal court had retained jurisdiction.

Reprinted from Pension & Benefits Week, October 4, 1999 issue. Research Institute of America Group. Subscriptions: 800-421-9025, \$290/yr.



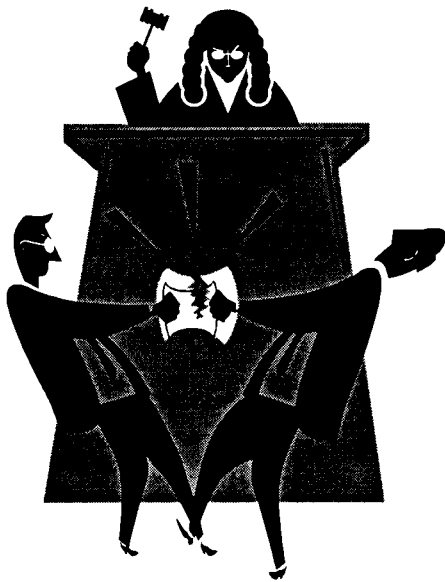
23 Years After Divorce, Ex-Wife Gets Retirement Money

Federal Pension Law Controls Where State Law Directly Conflicts

John names his wife Jane as the beneficiary of his life insurance policy or pension plan, or of his estate in his will. John and Jane get divorced, and John marries Susan. John dies, but he failed to remove Jane as beneficiary and name Susan. Who gets the money: Jane or Susan or John's estate?

The answer, like so many when it comes to questions of law, is "it depends." The answer may depend upon the instrument (is it an insurance policy or a will?), the state in which the decedent was a resident at his death (not all states' laws are the same!), even

(Continued on page 27)



when the instrument was created (bringing to bear the question of ex post facto laws—a subject for another time, perhaps).

Richard MacAnally and Imogene Levin were married in 1967. In 1972, Richard became a member of the faculty at the California Institute of Technology. At that time, Richard executed two annuity contracts issued by Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). He named Imogene as beneficiary of those annuity contracts.

Cal Tech made contributions to the annuity contracts until 1974 when Richard ended his employment with Cal Tech. That year, also, he and Imogene divorced, and, as part of the property settlement, Richard received the annuity contracts as his sole and separate property.

In 1987, Richard remarried. Before he retired, he died in 1997, a resident of Colorado, still married to his second wife. However, at the time of his death, Imogene remained as the beneficiary designated on his TIAA-CREF annuity contracts.

After Richard's death, Imogene sought Richard's annuity plan benefits. Richard's estate likewise asserted a claim to them, contending that Colorado law automatically revokes any beneficiary designation of a spouse from whom a decedent was divorced at the time of death.

Who gets the money? The Colorado Court of Appeals held that even though Richard and Imogene had been divorced for 23 years, Imogene was entitled to the money, despite the express provision of Colorado law that revoked the beneficiary designation upon their divorce.

Choice of Law: State or Federal

In this case, the issue before the Court of Appeals was which law controls. Employee pension benefit plans, which these retirement annuity contracts undoubtedly were, are governed by the Employee Retirement Income Security Act (ERISA), a federal law enacted in 1974 in order to make the law pertaining to pension benefits uniform.

Although Richard would not become eligible to draw on the annuity contracts until his retirement, well after 1974, Richard's executor argued that ERISA did not apply, because the annuity contracts were created in 1972 and Richard and Imogene were divorced prior to ERISA's effective date (January 1, 1975).

The Court of Appeals disagreed, stating that Richard's death in 1997 and his failure to change the beneficiary designation after his divorce make ERISA the applicable law in determining whether Imogene is entitled to the money.

Under ERISA, a beneficiary may bring a cause of action to recover benefits due to her under the terms of the pension plan. ERISA imposes a fiduciary duty upon a plan administrator to pay plan benefits to the entitled employee or designated beneficiary in accordance with the terms of the plan.

Richard's estate argued that the Colorado divorce revocation statute should be applied. Again, the Court disagreed.

Pursuant to ERISA and Richard's TIAA-CREF contract, the plan administrator must pay a death benefit to the beneficiary named in the plan if the plan participant dies before retirement. In direct contrast, the divorce revocation statute changes the beneficiary to whom benefits are paid from the beneficiary designated in the plan—Imogene—to an unnamed

beneficiary—Richard's Estate. Under the doctrine of preemption, ERISA preempts the divorce revocation statute. The money goes to Imogene.

Reprinted from April 24, 2000 issue of Elder Law FAX, © Timothy L. Tacaks; Hendersonville, TN. Contact the author by e-mail at ttakacs@tn-elderlaw.com or view Elder Law FAX online at <http://www.tn-elderlaw.com/elderfax.html>



Alabama Executive to Restore Money to 401(k) Plan Participants

The U. S. Department of Labor has obtained a final settlement in which the executive director of Community Action Agency of Calhoun, Cleburne & Cherokee Counties, Inc. (CAA) agreed to pay an additional \$5,034.50 to participants of the corporation's Anniston, Ala. 401(k) plan.

Dr. Nimrod Q. Reynolds, who served both as an executive of the non-profit corporation and trustee of the 401(k) plan, agreed to have his own plan account offset to restore the plan assets. The money will be redistributed to the remaining participants on a prorated basis. Reynolds also was permanently barred from serving in a fiduciary capacity to any employee benefit plan subject to the Employee Retirement

Income Security Act (ERISA).

The money represents employee contributions totaling \$3,517.55 not remitted to the plan for pay periods in October 1996 and for the interest the plan would have earned as of Nov. 30, 1999.

An earlier partial settlement in November 1999 resulted in \$9,000 being recouped for the plan and resolved a restitution issue concerning employee contributions of \$8,331.82 not remitted to the plan for the period of April 30, 1997 to June 30, 1997, as well as interest which would have accrued.

CAA, the plan sponsor, was sued July 8, 1999, for failure to timely remit more than \$11,000 of employee contributions to the plan.

CAA employees were required to contribute five percent of their compensation to the plan, which began operating in April 1992. On Aug. 31, 1995, the plan had 95 participants and assets totaling \$340,131. The department alleged the company violated ERISA when it used the employees' contributions to finance CAA's operations.

"Our goal is to assure that consumers know that the department is only a phone call away to help protect the benefits promised by employers," said Howard Marsh, director of the Atlanta Regional Office of the Labor Department's Pension and Welfare Benefits Administration (PWBA). "Employers and workers can reach us at 404/562-2156 for help with any problems relating to private-sector pension and health plans."

The settlement was the result of an investigation conducted by the Atlanta Regional Office of the Labor Department's Pension and Welfare Benefits Administration. The settlement was entered in federal district court in Birmingham, Ala. on April 13. (*Herman v. Community Action Agency of Calhoun, Cleburne & Cherokee Counties*) Civil Action No. CV-99-H-1747-E

Pension and Welfare Benefit Administration Press Release, April 14, 2000. For further information, contact the PBGC at 800-4007242 or visit their website at <http://www.pbgc.gov>.

Some Important Factors To Bear In Mind When Considering Early Retirement

The decision of when to retire is one of the most important that an American worker can make during his or her lifetime.

For most workers, whether or not to retire at a certain time will depend upon various considerations: Does the worker have enough money to retire? Are there dependents that must be supported? How healthy is the worker and his dependents? What benefits will the worker receive upon or after retirement?

Two recent court cases and a report from a Washington think-tank illustrate just how critical accurate information is in the making of such a decision.

Bins v. Exxon, August 30, 1999; order to rehear en banc, January 7, 2000

Ernest Bins worked for Exxon, U.S.A., for fifteen years. In the months before he retired, Mr. Bins unsuccessfully attempted to confirm rumors that his employer was considering offering eligible employees a lump-sum retirement incentive. Two weeks after Mr. Bins retired, Exxon, U.S.A. announced precisely the sort of retirement incentive about which Mr. Bins had inquired.

Mr. Bins contended that once his employer was seriously considering a proposal to offer an enhanced benefit package under the retirement plan, it had a duty to make such information available to prospective retirees like him who asked about it.

The Ninth Circuit Court of Appeals agreed. The employer had an affirmative duty not to only answer employees' direct questions concerning the potential program truthfully, but also to disclose the potential program to any employee known to be considering early retirement, even those who didn't ask about it.

McAuley v. IBM Corp., January 22, 1999

Similarly, a group of retired IBM employees sued IBM, claiming that they were induced to retire during the period in which IBM was considering an enhanced retirement package.

The plan had been under study and presented to a management committee that had authority to approve changes in the plan for implementation.

Even though IBM termed the meeting informational only, the Sixth Circuit found that IBM was seriously considering the plan as of the date of the meeting because personnel were directed to finalize the plan's design at the meeting. The ruling led to a \$15.5 million settlement.

Health Insurance Costs and Early Retirement Decisions, August 1999

Because of their importance, health benefits can be a major factor in the retirement decision. For workers receiving health benefits from their employers that do not continue after retirement, the loss of coverage can be costly and can discourage retirement before workers become eligible for Medicare at age 65.

For many insured workers, however, coverage can continue after retirement, either as retiree health insurance subsidized by the employer or through federally-mandated continuation coverage, for which the former employee bears the entire cost.

Researchers at the Urban Institute in Washington analyzed how losing health insurance upon retirement affects retirement rates.

Insurance costs significantly reduced retirement rates for full-time workers ages 55 to 61, the researchers found. Their model predicted that several proposed health insurance reforms, including Medicare buy-ins, tax incentives to purchase insurance, and extensions of mandated continuation coverage would only slightly increase early retirement rates, however, because they would not substantially reduce premium costs for most workers.

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IRA Distributions Allowed Over Beneficiary's Life

Even Though Deceased Account Owner Recalculated Life Expectancy

The IRS has ruled privately that designated IRA beneficiaries could take distributions over the life expectancy of the oldest beneficiary following the death of the IRA owner, despite the fact that the IRA owner had been taking distributions based on her single life expectancy using the annual recalculation method. (*IRS Letter Ruling 199951053*)

Observation: This is a very favorable ruling, because where required distributions have begun before the account owner's death Code Sec. 401(a)(9)(B)(i) requires post-death distributions to be made at least as rapidly as under the distribution method being used as of the date of death. A literal reading of this rule would require the full IRA account balance to be distributed by the end of the year following the year of death where the account owner had been taking distributions using her recalculated single life expectancy, since that life expectancy would drop to zero in the year following her death, requiring distribution of the full account balance.

Facts of the ruling. A taxpayer whom we'll call Anne elected in '96, the year of her deceased husband's death, to treat his IRA as her own. At the same time, she named her three sons as beneficiaries of the IRA. Anne then began to take distributions from the IRA based on her single life expectancy, recalculated annually.

Observation: Anne could have taken distributions over the joint lives or joint life expectancy of herself and her oldest designated beneficiary, which would have reduced the amount of each required distribution. She also could have used the term certain method over her life or life expectancy or over the joint lives or life expectancy of herself and

her oldest designated beneficiary.

Anne died in 1998. Her beneficiaries wish to distribute the amount remaining in the IRA beginning in 1999 over the life expectancy of the oldest beneficiary, notwithstanding that distributions during Anne's lifetime were made over her recalculated life expectancy.

Post-death distributions. Where an IRA owner dies after beginning required distributions, Code Sec. 401(a)(9)(B)(i) requires later distributions to be made at least as rapidly as under the method being used at death. Prop Reg § 1.401(a)(9)-1, Q&A E-8, on which taxpayers may rely, provides that if the life expectancy of an IRA owner is being recalculated, the recalculated life expectancy is reduced to zero at the end of the calendar year following the year of the IRA owner's death.

Observation: Thus under the method being used at Anne's death, the entire IRA account balance would have to be distributed by the end of the year following the year of her death.

Observation: Immediate distribution ends the IRA's tax deferral and also may push the beneficiaries into higher tax brackets, whereas spreading distributions out over a beneficiary's life expectancy keeps the IRA tax deferral going and moderates the tax distortions resulting from the distributions.

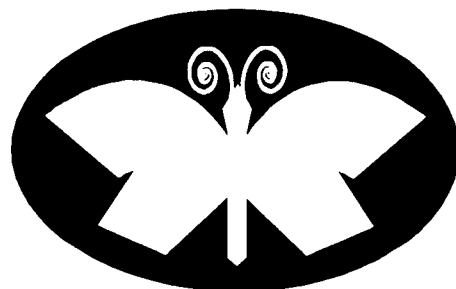
Favorable ruling. The IRS said that Anne timely designated her sons as beneficiaries. Thus, she "could have" received distributions over her and her oldest son's joint life expectancy during her lifetime. Those distributions would have complied with the minimum required distribution rules. Instead, Anne chose to receive distributions over her single life expectancy recalculated. In effect, the IRS said, she received distributions in amounts greater than the required minimums, or, in other words, chose to accelerate receipt of her lifetime distributions.

The IRS said that Anne's election to accelerate distributions does not affect the determination that her timely designation of her sons as beneficiaries re-

sulted in required minimum distributions being those computed using Anne's and her oldest son's joint and survivor life expectancy. Thus although Anne did not use her son's life expectancy in computing her lifetime distributions, the IRS said it may be used to determine post-death required distributions to Anne's beneficiaries. In short, the IRS ruled that the "at least as rapidly rule" will not be violated if post-death distributions are calculated using the life expectancy of Anne's oldest son, since Anne *could have used* his life expectancy to determine the amount of her required lifetime distributions. As a result, the IRS held that for calendar years after '98, the year of Anne's death, distributions from her IRA may be made over the life expectancy of her oldest son, notwithstanding that, during Anne's lifetime, distributions from her IRA were made over her recalculated life expectancy.

Recommendation: Where it is anticipated that beneficiaries will want to spread IRA distributions out over their life expectancies, an account owner who may not want to rely on this new private letter ruling should elect to take required minimum distributions over his and the oldest beneficiary's joint life expectancy. While this will result in smaller required distributions during the account owner's life, he may take additional distributions as needed. Then after the account owner's death, distributions could continue to beneficiaries over the remaining life expectancy of the oldest beneficiary, with more certainty than otherwise would be available without resort to a private letter ruling request.

Reprinted from Pension & Benefits Week, January 2, 2000 issue. Research Institute of America Group. Subscriptions: 800-421-9025, \$290/yr.



Terminal Funding Annuities

Single Premium Group Annuities (SPGAs), also known as Terminal Funding, Single-Shot or Buyout contracts, guarantee the benefits of a pension plan's retired, active or deferred vested participants. SPGAs are usually employed in situations which require that accrued benefits be "settled" with commercial annuities. These include pensions plans which are terminating, ongoing plans locking in high rates as an investment, FASB 87-88 settlements, and plant closings due to mergers or acquisitions. An SPGA may reduce a pension plan's annual administration costs, reduce its unfunded liability, or increase the reversion available from an overfunded plan.

SPGAs frequently credit a higher rate than the actuarial interest rate a plan may be using for valuing benefits. To maximize this rate differential a plan sponsor must either himself monitor each insurance company's SPGA rates or delegate that function to an experienced SPGA consultant. Constant surveillance is necessary to catch the changes in pricing among competing carriers, which often occurs overnight as general market conditions change and as each company moves closer to achieving its short term profit and/or premium-sales objectives. It is not uncommon that at different times during the year

SPGA quotes from the same company may vary by as much as 30%!

United States Annuities can help a plan sponsor or consultant obtain the best SPGAs for his terminating or ongoing plan. We represent more than 25 carriers in this market—companies with the highest "AAA" and "A+" ratings. Our knowledge of the special underwriting considerations that are of particular importance to the insurance companies allows us to make sure that your plan is not rejected simply because no one was available to answer questions of a routine or, sometimes, technical nature. Our ability to effectively manage the flow of critical information helps you obtain the best contract available to fit the needs of your plan.

We work directly with those major insurance companies our research has determined to be competitive in these markets. While our efforts are directed at providing annuities at the lowest cost, consideration is also given to the quality of services and financial strength the insurance company offers. We also provide you with the means of maintaining continual contact with your insurance company representatives from the time quotes are presented to you through the follow-up period after the final contract and all certificates have been delivered. If you have special needs on how the contract is to be serviced

after the takeover, we will negotiate with the insurers to cover these requirements and, depending on their nature, to make certain that no additional costs are imposed. When soliciting SPGAs on your behalf, you can have us attend to some or all of the following steps. You dictate our level of involvement.

SETTING OBJECTIVES AND PROTECTING PLAN ASSETS

In consultation with the Plan sponsor and/or enrolled actuary, objectives are set for the cost of the annuities, contract provisions, liquidity of the funds, and proposed purchase and takeover dates. Market values of assets available for transfer to the insurance company are determined to insure that they are sufficient to cover the estimated cost of annuities. A bond portfolio hedging strategy may be employed to protect the assets until the final distribution is made. (During periods of declining interest rates, the present value or cost of annuities generally increases. In the absence of a defensive investment strategy, significant erosion of assets may occur.)

PREPARING THE BID SPECIFICATIONS AND DATA LISTINGS

We market your plan by submitting specifications and data to those carriers best suited to underwrite your liability. The

Terminal Funding Annuities

presentation of complete specifications and clean data (especially on diskette or mag tape) reassures the carriers that everything is "in order" and serves as an extra inducement, not only for them to accept the case for pricing, but also to calculate the annuity premiums using their most competitive cost factors. With respect to preparing these documents, you may contract with us to (a) assist with the creation of the census data files, (b) review the Plan Document to suggest which provisions should be included, and (c) negotiate the level of assistance provided by the insurance company to bring about a timely distribution of benefit payments, annuity certificates, and so forth.

MANAGING THE COMPETITIVE BIDDING PROCESS

Through close and ongoing communication with the insurers who agreed to bid on your plan, we are assured that it is being priced correctly and that premium calculations are returned to us on a timely basis. Once the interested carriers begin their underwriting process, we reduce your burden of having to answer redundant questions from numerous carriers by acting as your go-between. We provide the insurers with the additional information they request to keep premium costs at the lowest possible level. By properly communicating plan needs, we can encourage the insurers to reduce risk premiums and not

price plan provisions on an overly conservative basis. We also keep you informed of the insurers' responses throughout the initial bidding period.

In the weeks before the winning bid is selected, we provide written proposals from the insurers describing the plan provisions and benefits they have agreed to cover. These proposals are carefully reviewed by the plan actuary and any revisions to the specs or other considerations that could influence the decision-making process are addressed.

ANNUITY PURCHASE / WIRE TRANSFER / DECISION DAY

On the day the final quotes are due, we may move to the offices of the decision maker to coordinate the final bidding process. The insurance companies are instructed to submit their bids before noon of that day. The quotations are matched to the previously agreed control numbers. When all the initial bids have been received, the runner-up insurers are invited to revise their quotes downward to the lowest possible figure. Soon after, the plan sponsor is in a position to accept the most favorable bid. We assist in preparing the letter of commitment which indicates the agreement to purchase the annuities at the quoted price. The premium or deposit amount is wired to the winning company to "lock in" the quote. We can assist with the wire transfer transaction to assure the proper

delivery of funds to the carrier, with timely confirmation back to respective parties.

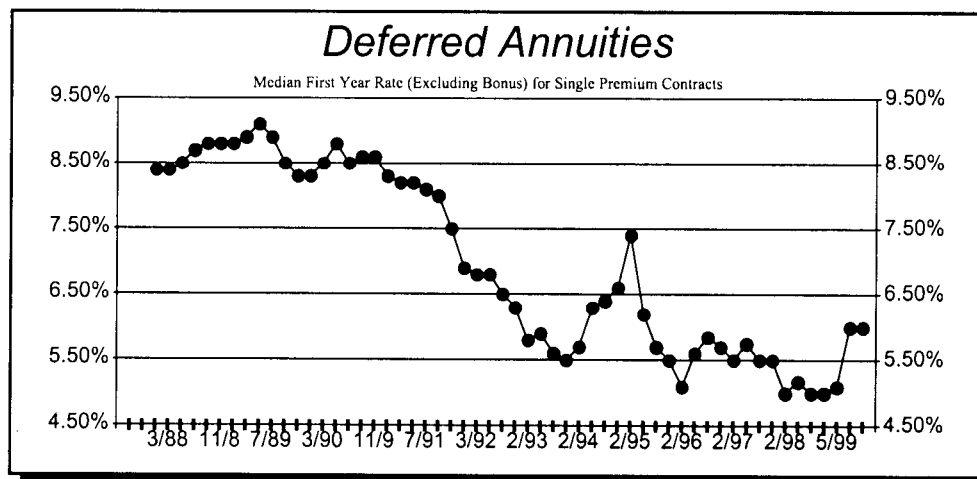
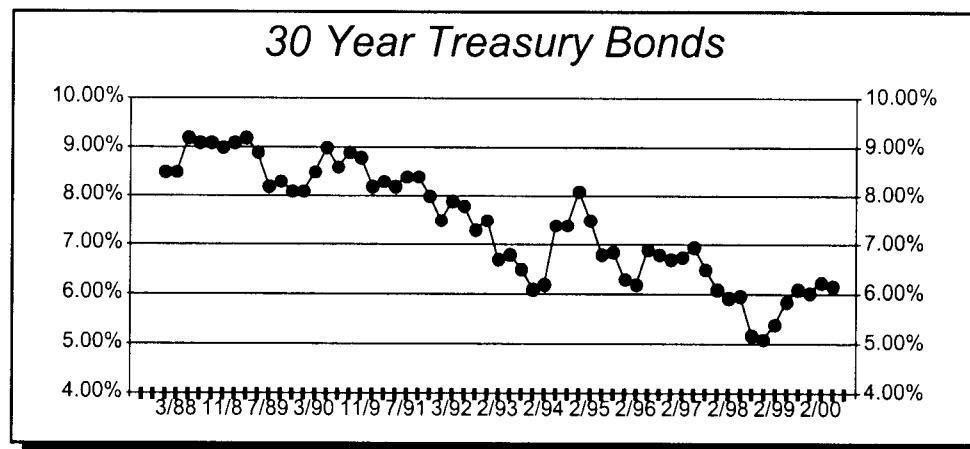
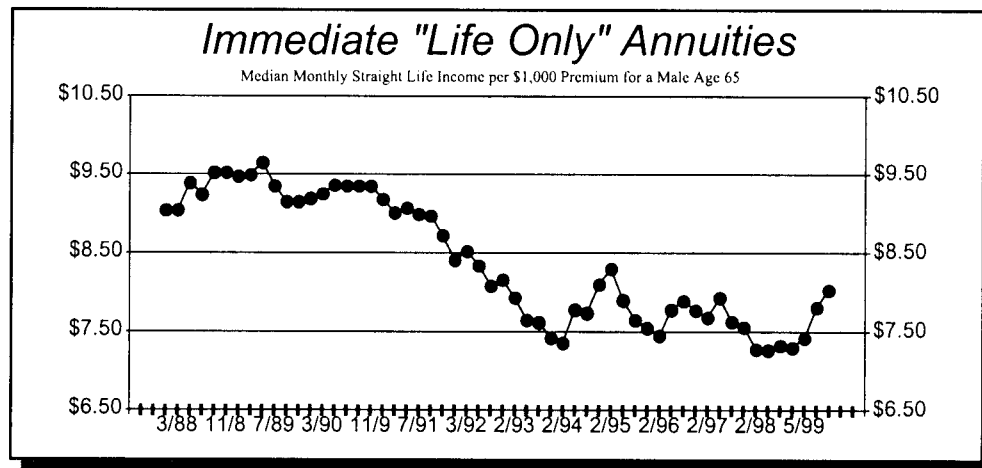
TAKEOVER PROCEDURE/ CONTRACT ISSUANCE

In virtually all groups that involve a substantial number of participants, minor corrections to the census and/or benefit amounts may occur after an agreement to purchase the annuities has been reached. These changes are audited to assure that all attendant premium adjustments are priced on the same rate basis as the original quote. We review the Master Group Contract, checking it against the bidding and proposal letter specifications, citing any application changes and forwarding them to the plan sponsor or actuary for review. We may also assist the plan sponsor in verifying the correctness of the individual annuity certificates once issued.

HOW TO OBTAIN GROUP ANNUITY QUOTES

USA's combination of specialized marketing expertise and annuity-tracking database makes us your best source for group annuity products. Simply mail or fax (732-521-5113) the plan specifications and census data and we'll prepare documents for quoting by the carriers. We can provide this service on either a commission or fee basis. Simply call our toll-free number 1-800-872-6684 and we'll discuss details with you. We invite your inquiries.

Annuity Price Trends



Life Expectancy

Getting a Handle on Life Expectancy

"How long will my money last?" is a question that worries a lot of retirees and soon-to-be retirees. The answer hinges on a number of issues, including how much annual income you'll need, what inflation does in the future and, most importantly, how long you will live.

Although most people have no idea how long they will live, finding out their life expectancy is one way to fill in this blank in their retirement plans. But how is life expectancy calculated and should you put much reliance on it when planning for the future? Here's what we found out when we consulted with some experts on this matter.

A Moving target

Life expectancy can be roughly defined as the average age at which a group of people of the same age and gender are likely to die. Basically, it's determined by taking all the ages at which the people in a group are likely to die and then averaging them. Half will die by that age and half will live past it.

The most important thing to remember about life expectancy is that it doesn't lock in at birth. As you get older, the age to which you're expected to live gets higher because the people in your age group who have died are no longer counted in the equation. For that reason, you can't just check your life expectancy at age 65 and base

your planning on that for the rest of your life.

For example, the life expectancy at birth for males born in 1931 was 59. Those who lived to age 30 then had a life expectancy of 67. At 65, those remaining can no anticipate living not two but 12 more years to



age 77. And once they reach 70, their life expectancy increases to 79.

Life Expectancy Tables

Tables showing life expectancies for various groups are used by employers to figure pension benefits, by insurance companies to sell life insurance and annuities, and by taxpayers who are following IRS rules for computing minimum distributions from retirement plans.

No two life expectancy tables will be exactly alike. Their data depends on when and how the tables were created, where the death rates came from and whether they've been adjusted to make them more current.

For example, some companies still use the "83 GAM" table to calculate how much they need to provide their retirees with a lifetime of monthly pension payments. 83 GAM is based on 1966 data, which was updated with projections to 1983. Other companies use the

newer UP-94 table, recommended by the Society of Actuaries, which shows significant increases in life expectancies at most ages.

The UP-94 table projects that men age 55 will live to age 80 and women to 84½. And someone who is 80, according to the table, can look forward to another eight to ten years of life.

Best Bet: Plan for Your 90s

Keep in mind that life expectancy figures are conservative. According to Dr. Kenneth Manton at Duke University's

Center for Demographic Studies, individuals who don't smoke, maintain a healthy weight and keep their blood pressure and cholesterol under control with diet and exercise could live ten to 15 years longer than current tables project. If longevity runs in your family, your odds are even better.

Therefore, unless you have life-threatening health problems, it's a good idea for you and your spouse to plan on living into your 90s.

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Life Expectancy Tables

The following two actuarial tables are used for calculating the taxes on annuity payments from qualified plans and tax sheltered annuities. The gender-based Table I is used if the contract does not include a post-June 30, 1986 investment. The unisex Table V is used

if the contract includes a post-June 30, 1986 investment. Table V is also currently used to compute life expectancy for purposes of the minimum distribution requirements applicable to individual retirement plans, tax-sheltered annuities, and qualified retirement plans,

and for determining the life expectancy of a beneficiary receiving a life income of death proceeds of life insurance. For these purposes, Table V is used without regard to the effective date of the contract. (Tables Source: Treasury regulations 1.72-9)

**Table I — Ordinary Life Annuities
One Life — Life Expectancy in Years**

Ages		Years	Ages		Years
Male	Female		Male	Female	
11	16	60.4	56	61	21.0
12	17	59.5	57	62	20.3
13	18	58.6	58	63	19.6
14	19	57.7	59	64	18.9
15	20	56.7	60	65	18.2
16	21	55.8	61	66	17.5
17	22	54.9	62	67	16.9
18	23	53.9	63	68	16.2
19	24	53.0	64	69	15.6
20	25	52.1	65	70	15.0
21	26	51.1	66	71	14.4
22	27	50.2	67	72	13.8
23	28	49.3	68	73	13.2
24	29	48.3	69	74	12.6
25	30	47.4	70	75	12.1
26	31	46.5	71	76	11.6
27	32	45.6	72	77	11.0
28	33	44.6	73	78	10.5
29	34	43.7	74	79	10.1
30	35	42.8	75	80	9.6
31	36	41.9	76	81	9.1
32	37	41.0	77	82	8.7
33	38	40.0	78	83	8.3
34	39	39.1	79	84	7.8
35	40	38.2	80	85	7.5
36	41	37.3	81	86	7.1
37	42	36.5	82	87	6.7
38	43	35.6	83	88	6.3
39	44	34.7	84	89	6.0
40	45	33.8	85	90	5.7
41	46	33.0	86	91	5.4
42	47	32.1	87	92	5.1
43	48	31.2	88	93	5.1
44	49	30.4	89	94	4.8
45	50	29.6	90	95	4.5
46	51	28.7	91	96	4.2
47	52	27.9	92	97	4.0
48	53	27.1	93	98	3.7
49	54	26.3	94	99	3.5
50	55	25.5	95	100	3.3
51	56	24.7	96	101	2.9
52	57	24.0	97	102	2.7
53	58	23.2	98	103	2.5
54	59	22.4	99	104	2.3
55	60	21.7	100	105	2.1

**Table V — Ordinary Life Annuities
One Life — Life Expectancy in Years**

Ages		Years	Ages		Years
Unisex			Unisex		
11	.....	70.7	56	.....	27.7
12	.....	69.7	57	.....	26.8
13	.....	68.8	58	.....	25.9
14	.....	67.8	59	.....	25.0
15	.....	66.8	60	.....	24.2
16	.....	65.8	61	.....	23.3
17	.....	64.8	62	.....	22.5
18	.....	63.9	63	.....	21.6
19	.....	62.9	64	.....	20.8
20	.....	61.9	65	.....	20.0
21	.....	60.9	66	.....	19.2
22	.....	59.9	67	.....	18.4
23	.....	59.0	68	.....	17.6
24	.....	58.0	69	.....	16.8
25	.....	57.0	70	.....	16.0
26	.....	56.0	71	.....	15.3
27	.....	55.1	72	.....	14.6
28	.....	54.1	73	.....	13.9
29	.....	53.1	74	.....	13.2
30	.....	52.2	75	.....	12.5
31	.....	51.2	76	.....	11.9
32	.....	50.2	77	.....	11.2
33	.....	49.3	78	.....	10.6
34	.....	48.3	79	.....	10.0
35	.....	47.3	80	.....	9.5
36	.....	46.4	81	.....	8.9
37	.....	45.4	82	.....	8.4
38	.....	44.4	83	.....	7.9
39	.....	43.5	84	.....	7.4
40	.....	42.5	85	.....	6.9
41	.....	41.5	86	.....	6.5
42	.....	40.6	87	.....	6.1
43	.....	39.6	88	.....	5.7
44	.....	38.7	89	.....	5.3
45	.....	37.7	90	.....	5.0
46	.....	36.8	91	.....	4.7
47	.....	35.9	92	.....	4.4
48	.....	34.9	93	.....	4.1
49	.....	34.0	94	.....	3.9
50	.....	33.1	95	.....	3.7
51	.....	32.2	96	.....	3.4
52	.....	31.3	97	.....	3.2
53	.....	30.4	98	.....	3.0
54	.....	29.5	99	.....	2.8
55	.....	28.6	100	.....	2.7

Immediate Annuities Update

The immediate annuity factors (also called "purchase rates") shown in **Tables 1 through 19** illustrate the amounts of monthly income \$1,000 of premium will purchase from the listed insurance companies. These immediate annuities provide a first income payment 30 days after the date of deposit. The factors shown are net of all fees and commissions except state premium taxes, if applicable.

In **Table 1** we report the purchase rates for Period Certain Annuities, which have no life contingency. These are simply installment payments which continue for a fixed period (5, 10, 15, 20, 25, and 30 years respectively) and then cease without regard to the age or life of the annuitant.

Tables 2 through 23 illustrate purchase rates for Single Life Annuities. In separate tables we report the factors for males and females ranging from age 40 through age 90 in 5 year intervals. Each table distinguishes between purchase rates for Non-Qualified Funds and Qualified Funds, and reports figures for three annuity forms: Life Only (Straight Life), Life with 10 Years Certain (10 yrs C&C) and Life with 20 Years Certain (20 yrs C&C).

Generally, the tax status of the funds used to buy an annuity directly influences the purchase rates most insurance companies will apply to a deposit. For this reason, our tables distinguish between purchases made with funds which are "**Non-Qualified**" or "**Qualified**." Since most insurance companies will pay a different income for the same dollar deposit depending on the tax status of the funds, it is important to consult the correct column (Qualified vs.

Nonqualified) when estimating annuity income.

The term non-qualified funds, also known as "after-tax monies"—such as money from a CD or savings account—refers to funds which **HAVE NOT** enjoyed the tax-qualified status of IRAs or pension monies. Because these funds have already been taxed once before, that portion of each monthly check which is considered a return of the purchaser's investment (or principal) is not taxed again (ie., it is excluded from income).

Qualified funds, on the other hand, are monies which until now **HAVE** enjoyed special tax treatment. Because no taxes have yet been paid on such funds, each monthly payment received from an annuity which was purchased with such deposits is **fully** taxable as income when received.

In addition to the tax status of the funds being used to purchase an annuity, the annuitant's age and gender as well as the type of coverage selected (also known as the "form" of annuity) directly affect the payout amount. Age and sex relate to life expectancy and thus ultimately to the insurance company's cost to provide its guarantees. Therefore, when insurance companies employ sex-distinct rates, female annuitants—who have longer life expectancies than males of the same age—should expect to receive less annuity income from their premium dollars. Obviously, the number of possible age, sex, and form combinations are too many to present in this kind of format. So we've illustrated immediate annuity income at five-year intervals, beginning at age 50 and continuing through age 80. You may also call us toll-free, at 1-800-872-6684, to receive a free calculation for an

annuity not shown.

A "Straight Life" or **Life Only** annuity is one which makes periodic payments to an annuitant for the duration of his or her lifetime and then ceases.

A **Life with 10 Years Certain (10 Yr C&C)** annuity guarantees that payments will be made for at least ten years, regardless of whether the annuitant survives over that period. If he/she does not survive, the remainder of the 10-year payments will be made to a beneficiary. If the annuitant survives beyond the 10-year guarantee period, payments will continue for the duration of his/her lifetime and then cease. A **Life with 20 Years Certain Annuity (20 yr C&C)** is administered in the same way as the 10 yr C&C annuity, except that the guarantee period covers twenty years instead of ten.

Tables 24 through 27 provide the purchase rates for Joint and Survivor Annuities ("J&S") for a male/female couple ages 65/62 to ages 75/72.

In these four Joint and Survivor tables we illustrate two different forms of the J&50%S annuity. For the first J&50%S form, income reduces by half upon the death of *either* the primary or secondary annuitant (and continues to the survivor for the remainder of his/her lifetime). With the second type of J&50%S annuity, the level monthly payment is reduced *only* on the death of the primary annuity (it does not reduce on the death of the secondary annuitant). This latter form of J&50%S annuity is also known as the ERISA or "QJSA" annuity. Lastly, the rates for the Joint & 100% Survivor Annuity do not reduce at any death and continue in full as long as either annuitant is living.


Immediate Annuities Update

Table 1. Period Certain Annuities

Reporting Companies (NAIC ID Number)	5 Years PC	10 Years PC	15 Years PC	20 Years PC	25 Years PC	30 Years PC
AIG Life Ins. Co. 66842	\$18.61	\$10.86	\$ 8.40	\$ 7.25	\$ 6.09	\$ 6.20
American Heritage 60534	\$19.14	\$10.90	\$ 8.22	\$ 6.93	\$ 6.20	\$ 5.74
Canada Life Assurance 80659	\$18.83	\$10.91	\$ 8.57	\$ 7.44	\$ 6.78	-
Columbia Universal 77720	\$19.15	\$10.90	\$ 8.23	\$ 6.94	\$ 6.20	\$ 5.74
Conseco Annuity Assurance 60682	\$17.75	\$10.10	\$ 7.58	\$ 6.38	-	-
Jackson National LIC 65056	\$18.61	\$11.01	\$ 8.58	\$ 7.47	\$ 6.89	\$ 6.57
Life IC of the Southwest 65528	\$19.38	\$11.20	\$ 8.56	\$ 7.31	\$ 6.60	-
Lincoln Benefit Life Co. 65595	\$18.14	\$11.11	\$ 8.65	\$ 7.50	\$ 6.86	\$ 6.48
London Pacific 68934	\$18.95	\$11.01	\$ 8.68	\$ 7.52	\$ 6.87	\$ 6.47
 Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.						
Midland National Life 66044	\$18.20	\$10.69	\$ 8.31	\$ 7.07	-	-
Peoples Benefit LIC 66605	\$18.68	\$10.94	\$ 8.57	\$ 7.46	\$ 6.78	\$ 6.35
Presidential LIC 68039	\$18.82	\$11.09	\$ 8.77	\$ 7.77	\$ 7.20	\$ 6.81
Principal LIC 61271	\$ 18.98	\$10.90	\$ 8.46	\$ 7.32	\$ 6.71	\$ 6.40
Providentmutual L&A 70750	\$18.14	\$10.57	\$ 8.15	\$ 7.06	\$ 6.51	\$ 6.24
Security Benefit LIC 68675	\$18.20	\$10.31	\$ 7.98	\$ 6.76	\$ 6.03	\$ 5.63
Southwestern Life 91391	\$18.42	\$10.04	\$ 7.56	\$ 6.36	\$ 5.67	\$ 5.23
United Heritage Mutual LIC 63983	\$18.77	\$10.97	\$ 8.58	\$ 7.42	\$ 6.72	\$ 6.54
United of Omaha 69868	\$18.66	\$11.04	\$ 8.62	\$ 7.48	\$ 6.77	\$ 6.35
USG Annuity & Life 61247	\$18.90	\$11.11	\$ 8.61	\$ 7.44	-	-
Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000						

Immediate Annuities Update

Table 2. Single Life Annuities — Male Age 50

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 6.69	\$ 6.60	\$ 6.41	\$ 6.69	\$ 6.60	\$ 6.41
American Heritage 60534	\$ 5.99	\$ 5.91	\$ 5.73	\$ 5.99	\$ 5.91	\$ 5.73
Canada Life Assurance 80659	\$ 6.46	\$ 6.39	\$ 6.23	\$ 6.46	\$ 6.39	\$ 6.23
Columbia Universal 77720	\$ 6.01	\$ 5.94	\$ 5.73	\$ 6.01	\$ 5.94	\$ 5.73
Conseco Annuity Assurance 60682	\$ 5.31	\$ 5.25	\$ 5.08	\$ 5.31	\$ 5.25	\$ 5.08
Jackson National LIC 65056	\$ 6.59	\$ 6.52	\$ 6.39	\$ 6.45	\$ 6.41	\$ 6.31
Life IC of the Southwest 65528	\$ 6.79	\$ 6.72	\$ 6.53	\$ 6.64	\$ 6.59	\$ 6.44
Lincoln Benefit Life Co. 65595	\$ 6.54	\$ 6.48	\$ 6.34	\$ 6.54	\$ 6.48	\$ 6.34
London Pacific Life & Annuity 68934	\$ 6.77	\$ 6.63	\$ 6.42	\$ 6.77	\$ 6.63	\$ 6.42
Midland National Life 66044	\$ 6.05	\$ 5.99	\$ 5.83	\$ 6.05	\$ 5.99	\$ 5.83
 Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.						
National Guardian LIC ¹ 66583	\$ 5.77	\$ 5.71	\$ 5.57	\$ 5.77	\$ 5.71	\$ 5.57
Peoples Benefit LIC 66605	\$ 6.48	\$ 6.41	\$ 6.26	\$ 6.48	\$ 6.41	\$ 6.26
Presidential LIC 68039	\$ 6.94	\$ 6.86	\$ 6.71	\$ 6.94	\$ 6.86	\$ 6.71
Principal LIC 61271	\$ 6.50	\$ 6.44	\$ 6.30	\$ 6.52	\$ 6.46	\$ 6.32
Providentmutual L&A 70750	\$ 6.25	\$ 6.14	\$ 5.87	\$ 6.23	\$ 6.14	\$ 5.87
Security Benefit LIC 68675	\$ 5.55	\$ 5.51	\$ 5.40	\$ 5.55	\$ 5.51	\$ 5.40
Security Mutual/NY 68772	\$ 6.24	\$ 6.13	\$ 5.88	\$ 6.39	\$ 6.27	\$ 5.99
Southwestern Life 91391	\$ 5.20	\$ 5.15	\$ 5.03	-	-	-
United Heritage Mutual LIC 63983	\$ 6.62	\$ 6.59	\$ 6.48	\$ 6.62	\$ 6.59	\$ 6.48
United of Omaha 69868	\$ 6.57	\$ 6.50	\$ 6.35	\$ 6.57	\$ 6.50	\$ 6.35
USG Annuity & Life 61247	\$ 6.63	\$ 6.53	\$ 6.30	\$ 6.63	\$ 6.53	\$ 6.30
<small>Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000 ¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life</small>						

Immediate Annuities Update

Table 3. Single Life Annuities — Female Age 50

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 6.34	\$ 6.30	\$ 6.21	\$ 6.34	\$ 6.30	\$ 6.21
American Heritage 60534	\$ 5.63	\$ 5.59	\$ 5.51	\$ 5.63	\$ 5.59	\$ 5.51
Canada Life Assurance 80659	\$ 6.10	\$ 6.07	\$ 6.00	\$ 6.10	\$ 6.07	\$ 6.00
Columbia Universal 77720	\$ 5.64	\$ 5.61	\$ 5.51	\$ 5.64	\$ 5.61	\$ 5.51
Conseco Annuity Assurance 60682	\$ 4.95	\$ 4.92	\$ 4.84	\$ 4.95	\$ 4.92	\$ 4.84
Jackson National LIC 65056	\$ 6.36	\$ 6.33	\$ 6.25	\$ 6.45	\$ 6.41	\$ 6.31
Life IC of the Southwest 65528	\$ 6.49	\$ 6.46	\$ 6.35	\$ 6.64	\$ 6.59	\$ 6.44
Lincoln Benefit Life Co. 65595	\$ 6.36	\$ 6.33	\$ 6.24	\$ 6.36	\$ 6.33	\$ 6.24
London Pacific 68934	\$ 6.53	\$ 6.42	\$ 6.28	\$ 6.53	\$ 6.42	\$ 6.28
Midland National Life 66044	\$ 5.77	\$ 5.74	\$ 5.66	\$ 5.77	\$ 5.74	\$ 5.66



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 5.52	\$ 5.49	\$ 5.41	\$ 5.52	\$ 5.49	\$ 5.41
Peoples Benefit LIC 66605	\$ 6.22	\$ 6.19	\$ 6.13	\$ 6.22	\$ 6.19	\$ 6.13
Presidential LIC 68039	\$ 6.66	\$ 6.63	\$ 6.55	\$ 6.66	\$ 6.63	\$ 6.55
Principal LIC 61271	\$ 6.28	\$ 6.25	\$ 6.17	\$ 6.30	\$ 6.27	\$ 6.19
Providentmutual L&A 70750	\$ 5.82	\$ 5.78	\$ 5.66	\$ 5.82	\$ 5.78	\$ 5.66
Security Benefit LIC 68675	\$ 5.27	\$ 5.25	\$ 5.20	\$ 5.27	\$ 5.25	\$ 5.20
Security Mutual/NY 68772	\$ 5.83	\$ 5.79	\$ 5.67	\$ 5.85	\$ 5.81	\$ 5.70
Southwestern Life 91391	\$ 4.89	\$ 4.87	\$ 4.82	-	-	-
United Heritage Mutual LIC 63983	\$ 6.36	\$ 6.36	\$ 6.31	\$ 6.36	\$ 6.36	\$ 6.31
United of Omaha 69868	\$ 6.30	\$ 6.27	\$ 6.18	\$ 6.30	\$ 6.27	\$ 6.18
USG Annuity & Life 61247	\$ 6.23	\$ 6.19	\$ 6.08	\$ 6.23	\$ 6.19	\$ 6.08

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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Immediate Annuities Update

Table 4. Single Life Annuities — Male Age 55

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 7.07	\$ 6.93	\$ 6.63	\$ 7.07	\$ 6.93	\$ 6.63
American Heritage 60534	\$ 6.40	\$ 6.28	\$ 5.98	\$ 6.40	\$ 6.28	\$ 5.98
Canada Life Assurance 80659	\$ 6.87	\$ 6.75	\$ 6.49	\$ 6.87	\$ 6.75	\$ 6.49
Columbia Universal 77720	\$ 6.43	\$ 6.31	\$ 6.00	\$ 6.43	\$ 6.31	\$ 6.00
Conseco Annuity Assurance 60682	\$ 5.74	\$ 5.63	\$ 5.36	\$ 5.74	\$ 5.63	\$ 5.36
Jackson National LIC 65056	\$ 6.91	\$ 6.81	\$ 6.58	\$ 6.73	\$ 6.66	\$ 6.49
Life IC of the Southwest 65528	\$ 7.13	\$ 7.02	\$ 6.73	\$ 6.93	\$ 6.85	\$ 6.63
Lincoln Benefit Life Co. 65595	\$ 6.88	\$ 6.78	\$ 6.56	\$ 6.88	\$ 6.78	\$ 6.56
London Pacific 68934	\$ 7.09	\$ 6.91	\$ 6.61	\$ 7.09	\$ 6.91	\$ 6.61
Midland National Life 66044	\$ 6.43	\$ 6.33	\$ 6.07	\$ 6.43	\$ 6.33	\$ 6.07



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 6.12	\$ 6.03	\$ 5.79	\$ 6.12	\$ 6.03	\$ 5.79
Peoples Benefit LIC 66605	\$ 6.82	\$ 6.71	\$ 6.47	\$ 6.82	\$ 6.71	\$ 6.47
Presidential LIC 68039	\$ 7.31	\$ 7.18	\$ 6.94	\$ 7.31	\$ 7.18	\$ 6.94
Principal LIC 61271	\$ 6.78	\$ 6.67	\$ 6.46	\$ 6.80	\$ 6.69	\$ 6.48
Providentmutual L&A 70750	\$ 6.71	\$ 6.54	\$ 6.07	\$ 6.71	\$ 6.54	\$ 6.07
Security Benefit LIC 68675	\$ 5.87	\$ 5.80	\$ 5.62	\$ 5.87	\$ 5.80	\$ 5.62
Security Mutual/NY 68772	\$ 6.67	\$ 6.48	\$ 6.09	\$ 6.91	\$ 6.70	\$ 6.22
Southwestern Life 91391	\$ 5.55	\$ 5.46	\$ 5.27	-	-	-
United Heritage Mutual LIC 63983	\$ 6.97	\$ 6.90	\$ 6.69	\$ 6.97	\$ 6.90	\$ 6.69
United of Omaha 69868	\$ 6.94	\$ 6.82	\$ 6.58	\$ 6.94	\$ 6.82	\$ 6.58
USG Annuity & Life 61247	\$ 7.07	\$ 6.90	\$ 6.52	\$ 7.07	\$ 6.90	\$ 6.52

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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Table 5. Single Life Annuities — Female Age 55

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 6.64	\$ 6.57	\$ 6.42	\$ 6.64	\$ 6.57	\$ 6.42
American Heritage 60534	\$ 5.95	\$ 5.89	\$ 5.74	\$ 5.95	\$ 5.89	\$ 5.74
Canada Life Assurance 80659	\$ 6.42	\$ 6.37	\$ 6.23	\$ 6.42	\$ 6.37	\$ 6.23
Columbia Universal 77720	\$ 5.97	\$ 5.92	\$ 5.76	\$ 5.97	\$ 5.92	\$ 5.76
Conseco Annuity Assurance 60682	\$ 5.28	\$ 5.23	\$ 5.10	\$ 5.28	\$ 5.23	\$ 5.10
Jackson National LIC 65056	\$ 6.61	\$ 6.56	\$ 6.43	\$ 6.73	\$ 6.66	\$ 6.49
Life IC of the Southwest 65528	\$ 6.75	\$ 6.69	\$ 6.53	\$ 6.93	\$ 6.85	\$ 6.63
Lincoln Benefit Life Co. 65595	\$ 6.64	\$ 6.58	\$ 6.43	\$ 6.64	\$ 6.58	\$ 6.43
London Pacific 68934	\$ 6.77	\$ 6.64	\$ 6.45	\$ 6.77	\$ 6.64	\$ 6.45
Midland National Life 66044	\$ 6.09	\$ 6.03	\$ 5.89	\$ 6.09	\$ 6.03	\$ 5.89
 Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.						
National Guardian LIC ¹ 66583	\$ 5.80	\$ 5.75	\$ 5.62	\$ 5.80	\$ 5.75	\$ 5.62
Peoples Benefit LIC 66605	\$ 6.48	\$ 6.43	\$ 6.33	\$ 6.48	\$ 6.43	\$ 6.33
Presidential LIC 68039	\$ 6.97	\$ 6.90	\$ 6.76	\$ 6.97	\$ 6.90	\$ 6.76
Principal LIC 61271	\$ 6.54	\$ 6.49	\$ 6.35	\$ 6.56	\$ 6.51	\$ 6.37
Providentmutual L&A 70750	\$ 6.23	\$ 6.14	\$ 5.87	\$ 6.23	\$ 6.14	\$ 5.87
Security Benefit LIC 68675	\$ 5.51	\$ 5.47	\$ 5.39	\$ 5.51	\$ 5.47	\$ 5.39
Security Mutual/NY 68772	\$ 6.16	\$ 6.08	\$ 5.88	\$ 6.20	\$ 6.13	\$ 5.93
Southwestern Life 91391	\$ 5.15	\$ 5.11	\$ 5.02	-	-	-
United Heritage Mutual LIC 63983	\$ 6.63	\$ 6.61	\$ 6.50	\$ 6.63	\$ 6.61	\$ 6.50
United of Omaha 69868	\$ 6.60	\$ 6.54	\$ 6.40	\$ 6.60	\$ 6.54	\$ 6.40
USG Annuity & Life 61247	\$ 6.56	\$ 6.48	\$ 6.28	\$ 6.56	\$ 6.48	\$ 6.28

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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Immediate Annuities Update

Table 6. Single Life Annuities — Male Age 60

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 7.61	\$ 7.37	\$ 6.87	\$ 7.61	\$ 7.37	\$ 6.87
American Heritage 60534	\$ 6.97	\$ 6.76	\$ 6.26	\$ 6.97	\$ 6.76	\$ 6.26
Canada Life Assurance 80659	\$ 7.42	\$ 7.22	\$ 6.77	\$ 7.42	\$ 7.22	\$ 6.77
Columbia Universal 77720	\$ 7.02	\$ 6.80	\$ 6.28	\$ 7.02	\$ 6.80	\$ 6.28
Conseco Annuity Assurance 60682	\$ 6.32	\$ 6.14	\$ 5.65	\$ 6.32	\$ 6.14	\$ 5.65
Jackson National LIC 65056	\$ 7.36	\$ 7.19	\$ 6.80	\$ 7.13	\$ 7.01	\$ 6.71
Life IC of the Southwest 65528	\$ 7.60	\$ 7.41	\$ 6.94	\$ 7.34	\$ 7.20	\$ 6.84
Lincoln Benefit Life Co. 65595	\$ 7.36	\$ 7.18	\$ 6.80	\$ 7.36	\$ 7.18	\$ 6.80
London Pacific 68934	\$ 7.55	\$ 7.29	\$ 6.83	\$ 7.55	\$ 7.29	\$ 6.83
Midland National Life 66044	\$ 6.96	\$ 6.79	\$ 6.34	\$ 6.96	\$ 6.79	\$ 6.34



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 6.61	\$ 6.45	\$ 6.04	\$ 6.61	\$ 6.45	\$ 6.04
Peoples Benefit LIC 66605	\$ 7.34	\$ 7.16	\$ 6.73	\$ 7.34	\$ 7.16	\$ 6.73
Presidential LIC 68039	\$ 7.80	\$ 7.59	\$ 7.19	\$ 7.80	\$ 7.59	\$ 7.19
Principal LIC 61271	\$ 7.16	\$ 6.98	\$ 6.61	\$ 7.18	\$ 7.00	\$ 6.63
Providentmutual L&A 70750	\$ 7.27	\$ 6.95	\$ 6.31	\$ 7.27	\$ 6.95	\$ 6.31
Security Benefit LIC 68675	\$ 6.32	\$ 6.19	\$ 5.87	\$ 6.32	\$ 6.19	\$ 5.87
Security Mutual/NY 68772	\$ 7.24	\$ 6.93	\$ 6.32	\$ 7.65	\$ 7.25	\$ 6.44
Southwestern Life 91391	\$ 6.02	\$ 5.88	\$ 5.53	-	-	-
United Heritage Mutual LIC 63983	\$ 7.29	\$ 7.18	\$ 6.84	\$ 7.29	\$ 7.18	\$ 6.84
United of Omaha 69868	\$ 7.44	\$ 7.25	\$ 6.83	\$ 7.44	\$ 7.25	\$ 6.83
USG Annuity & Life 61247	\$ 7.69	\$ 7.39	\$ 6.74	\$ 7.69	\$ 7.39	\$ 6.74

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life

Immediate Annuities Update

Table 7. Single Life Annuities — Female Age 60

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 7.05	\$ 6.93	\$ 6.66	\$ 7.05	\$ 6.93	\$ 6.66
American Heritage 60534	\$ 6.39	\$ 6.29	\$ 6.02	\$ 6.39	\$ 6.29	\$ 6.02
Canada Life Assurance 80659	\$ 6.85	\$ 6.75	\$ 6.52	\$ 6.85	\$ 6.75	\$ 6.52
Columbia Universal 77720	\$ 6.42	\$ 6.32	\$ 6.04	\$ 6.42	\$ 6.32	\$ 6.04
Conseco Annuity Assurance 60682	\$ 5.73	\$ 5.65	\$ 5.40	\$ 5.73	\$ 5.65	\$ 5.40
Jackson National LIC 65056	\$ 6.97	\$ 6.88	\$ 6.65	\$ 7.13	\$ 7.01	\$ 6.71
Life IC of the Southwest 65528	\$ 7.10	\$ 7.00	\$ 6.74	\$ 7.34	\$ 7.20	\$ 6.84
Lincoln Benefit Life Co. 65595	\$ 7.03	\$ 6.91	\$ 6.66	\$ 7.03	\$ 6.91	\$ 6.66
London Pacific 68934	\$ 7.13	\$ 6.95	\$ 6.66	\$ 7.13	\$ 6.95	\$ 6.66
Midland National Life 66044	\$ 6.52	\$ 6.42	\$ 6.16	\$ 6.52	\$ 6.42	\$ 6.16



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 6.20	\$ 6.11	\$ 5.87	\$ 6.20	\$ 6.11	\$ 5.87
Peoples Benefit LIC 66605	\$ 6.90	\$ 6.80	\$ 6.58	\$ 6.90	\$ 6.80	\$ 6.58
Presidential LIC 68039	\$ 7.38	\$ 7.25	\$ 7.01	\$ 7.38	\$ 7.25	\$ 7.01
Principal LIC 61271	\$ 6.84	\$ 6.74	\$ 6.50	\$ 6.86	\$ 6.76	\$ 6.52
Providentmutual L&A 70750	\$ 6.71	\$ 6.54	\$ 6.07	\$ 6.71	\$ 6.54	\$ 6.07
Security Benefit LIC 68675	\$ 5.84	\$ 5.78	\$ 5.63	\$ 5.84	\$ 5.78	\$ 5.63
Security Mutual/NY 68772	\$ 6.62	\$ 6.47	\$ 6.14	\$ 6.71	\$ 6.57	\$ 6.19
Southwestern Life 91391	\$ 5.50	\$ 5.44	\$ 5.27	-	-	-
United Heritage Mutual LIC 63983	\$ 6.84	\$ 6.80	\$ 6.64	\$ 6.84	\$ 6.80	\$ 6.64
United of Omaha LIC 69868	\$ 7.01	\$ 6.90	\$ 6.65	\$ 7.01	\$ 6.90	\$ 6.65
USG Annuity & Life 61247	\$ 7.01	\$ 6.87	\$ 6.52	\$ 7.01	\$ 6.87	\$ 6.52

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life

Immediate Annuities Update

Table 8. Single Life Annuities — Male Age 65

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C
AIG Life Ins. Co. 66842	\$ 8.38	\$ 7.94	\$ 7.90	\$ 8.38	\$ 7.94	\$ 7.10
American Heritage 60534	\$ 7.79	\$ 7.39	\$ 6.52	\$ 7.79	\$ 7.39	\$ 6.52
Canada Life Assurance 80659	\$ 8.19	\$ 7.81	\$ 7.03	\$ 8.19	\$ 7.81	\$ 7.03
Columbia Universal 77720	\$ 7.79	\$ 7.39	\$ 6.52	\$ 7.79	\$ 7.39	\$ 6.52
Conseco Annuity Assurance 60682	\$ 7.03	\$ 6.70	\$ 5.90	\$ 7.03	\$ 6.70	\$ 5.90
Jackson National LIC 65056	\$ 8.01	\$ 7.69	\$ 7.03	\$ 7.70	\$ 7.47	\$ 6.95
Life IC of the Southwest 65528	\$ 8.29	\$ 7.93	\$ 7.16	\$ 7.92	\$ 7.67	\$ 7.07
Lincoln Benefit Life Co. 65595	\$ 8.06	\$ 7.72	\$ 7.06	\$ 8.06	\$ 7.72	\$ 7.06
London Pacific 68934	\$ 8.23	\$ 7.40	\$ 7.06	\$ 8.23	\$ 7.40	\$ 7.06
Midland National Life 66044	\$ 7.72	\$ 7.38	\$ 6.61	\$ 7.72	\$ 7.38	\$ 6.61



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 7.31	\$ 7.00	\$ 6.29	\$ 7.31	\$ 7.00	\$ 6.29
Peoples Benefit LIC 66605	\$ 8.08	\$ 7.74	\$ 7.01	\$ 8.08	\$ 7.74	\$ 7.01
Presidential LIC 68039	\$ 8.49	\$ 8.10	\$ 7.42	\$ 8.49	\$ 8.10	\$ 7.42
Principal LIC 61271	\$ 7.82	\$ 7.49	\$ 6.84	\$ 7.84	\$ 7.51	\$ 6.86
Providentmutual L&A 70750	\$ 8.05	\$ 7.49	\$ 6.61	\$ 8.05	\$ 7.49	\$ 6.61
Security Benefit LIC 68675	\$ 6.96	\$ 6.71	\$ 6.14	\$ 6.96	\$ 6.71	\$ 6.14
Security Mutual/NY 68772	\$ 8.03	\$ 7.49	\$ 6.53	\$ 8.70	\$ 7.91	\$ 6.62
Southwestern Life 91391	\$ 6.71	\$ 6.43	\$ 5.81	-	-	-
United Heritage Mutual LIC 63983	\$ 8.04	\$ 7.75	\$ 7.11	\$ 8.04	\$ 7.75	\$ 7.11
United of Omaha LIC 69869	\$ 8.18	\$ 7.81	\$ 7.09	\$ 8.18	\$ 7.81	\$ 7.09
USG Annuity & Life 61247	\$ 8.57	\$ 7.99	\$ 6.94	\$ 8.57	\$ 7.99	\$ 6.94

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life

Immediate Annuities Update

Table 9. Single Life Annuities — Female Age 65

Reporting Companies	Non-Qualified Funds			Qualified Funds		
	Life	10yr	20yr	Life	10yr	20yr
AIG Life Ins. Co. 66842	\$ 7.63	\$ 7.42	\$ 6.93	\$ 7.63	\$ 7.42	\$ 6.93
American Heritage 60534	\$ 7.01	\$ 6.82	\$ 6.32	\$ 7.01	\$ 6.82	\$ 6.32
Canada Life Assurance 80659	\$ 7.44	\$ 7.26	\$ 6.82	\$ 7.44	\$ 7.26	\$ 6.82
Columbia Universal 77720	\$7.01	\$ 6.82	\$ 6.33	\$7.01	\$ 6.82	\$ 6.33
Conseco Annuity Assurance 60682	\$ 6.30	\$ 6.14	\$ 5.69	\$ 6.30	\$ 6.14	\$ 5.69
Jackson National LIC 65056	\$ 7.49	\$ 7.32	\$ 6.90	\$ 7.70	\$ 7.47	\$ 6.95
Life IC of the Southwest 65528	\$ 7.60	\$ 7.43	\$ 6.99	\$ 7.92	\$ 7.67	\$ 7.07
Lincoln Benefit Life Co. 65595	\$ 7.57	\$ 7.36	\$ 6.92	\$ 7.57	\$ 7.36	\$ 6.92
London Pacific 68934	\$ 7.65	\$ 7.39	\$ 6.91	\$ 7.65	\$ 7.39	\$ 6.91
Midland National Life 66044	\$ 7.13	\$ 6.94	\$ 6.46	\$ 7.13	\$ 6.94	\$ 6.46



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National Guardian LIC ¹ 66583	\$ 6.76	\$ 6.59	\$ 6.15	\$ 6.76	\$ 6.59	\$ 6.15
Peoples Benefit LIC 66605	\$ 7.47	\$ 7.29	\$ 6.86	\$ 7.47	\$ 7.29	\$ 6.86
Presidential LIC 68039	\$ 7.92	\$ 7.70	\$ 7.27	\$ 7.92	\$ 7.70	\$ 7.27
Principal LIC 61271	\$ 7.37	\$ 7.18	\$ 6.75	\$ 7.39	\$ 7.20	\$ 6.77
Providentmutual L&A 70750	\$ 7.27	\$ 6.95	\$ 6.31	\$ 7.27	\$ 6.95	\$ 6.31
Security Benefit LIC 68675	\$ 6.31	\$ 6.20	\$ 5.91	\$ 6.31	\$ 6.20	\$ 5.91
Security Mutual/NY 68772	\$ 7.24	\$ 7.00	\$ 6.40	\$ 7.45	\$ 7.16	\$ 6.44
Southwestern Life 91391	\$ 6.01	\$ 5.89	\$ 5.57	-	-	-
United Heritage Mutual LIC 63983	\$ 7.41	\$ 7.29	\$ 6.93	\$ 7.41	\$ 7.29	\$ 6.93
United of Omaha LIC 69868	\$ 7.60	\$ 7.40	\$ 6.94	\$ 7.60	\$ 7.40	\$ 6.94
USG Annuity & Life 61247	\$ 7.64	\$ 7.37	\$ 6.76	\$ 7.64	\$ 7.37	\$ 6.76

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life

Immediate Annuities Update

Table 10. Single Life Annuities — Male Age 70

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C ²
AIG Life Ins. Co. 66842	\$ 9.49	\$ 8.62	\$ 7.28	\$ 9.49	\$ 8.62	\$ 7.28
American Heritage 60534	\$ 8.95	\$ 8.15	\$ 6.73	\$ 8.95	\$ 8.15	\$ 6.73
Canada Life Assurance 80659	\$ 9.27	\$ 8.51	\$ 7.24	\$ 9.27	\$ 8.51	\$ 7.24
Columbia Universal 77720	\$ 9.04	\$ 8.20	\$ 6.74	\$ 9.04	\$ 8.20	\$ 6.74
Conseco Annuity Assurance 60682	\$ 7.85	\$ 7.27	\$ 6.08	\$ 7.85	\$ 7.27	\$ 6.08
Jackson National LIC 65056	\$ 8.91	\$ 8.28	\$ 7.23	\$ 8.49	\$ 8.04	\$ 7.18
Life IC of the Southwest 65528	\$ 9.28	\$ 8.57	\$ 7.35	\$ 8.77	\$ 8.27	\$ 7.28
Lincoln Benefit Life Co. 65595	\$ 9.08	\$ 8.41	\$ 7.27	\$ 9.08	\$ 8.41	\$ 7.27
London Pacific 68934	\$ 9.48	\$ 8.44	\$ 7.27	\$ 9.48	\$ 8.44	\$ 7.27
Midland National Life 66044	\$ 8.81	\$ 8.11	\$ 6.83	\$ 8.81	\$ 8.11	\$ 6.83



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National Guardian LIC ¹ 66583	\$ 8.32	\$ 7.67	\$ 6.49	\$ 8.32	\$ 7.67	\$ 6.49
Peoples Benefit LIC 66605	\$ 9.01	\$ 8.32	\$ 7.24	\$ 9.01	\$ 8.32	\$ 7.24
Presidential LIC 68039	\$ 9.48	\$ 8.72	\$ 7.60	\$ 9.48	\$ 8.72	\$ 7.60
Principal LIC 61271	\$ 8.77	\$ 8.11	\$ 7.03	\$ 8.80	\$ 8.13	\$ 7.05
Providentmutual L&A 70750	\$ 9.00	\$ 7.88	\$ 6.68	\$ 9.00	\$ 7.88	\$ 6.68
Security Benefit LIC 68675	\$ 7.89	\$ 7.37	\$ 6.40	\$ 7.89	\$ 7.37	\$ 6.40
Security Mutual/NY 68772	\$ 9.17	\$ 8.18	\$ 6.70	\$10.17	\$ 8.62	\$ 6.74
Southwestern Life 91391	\$ 7.70	\$ 7.12	\$ 6.06	-	-	-
United Heritage Mutual LIC 63983	\$ 8.93	\$ 8.31	\$ 7.18	\$ 8.93	\$ 8.31	\$ 7.18
United of Omaha LIC 69868	\$ 9.22	\$ 8.49	\$ 7.30	\$ 9.22	\$ 8.49	\$ 7.30
USG Annuity & Life 61247	\$ 9.79	\$ 8.64	\$ 7.10	\$ 9.79	\$ 8.64	\$ 7.10

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life.

²Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 11. Single Life Annuities — Female Age 70

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr ² C&C ¹
AIG Life Ins. Co. 66842	\$ 8.47	\$ 8.05	\$ 7.18	\$ 8.47	\$ 8.05	\$ 7.18
American Heritage 60534	\$ 7.90	\$ 7.52	\$ 6.61	\$ 7.90	\$ 7.52	\$ 6.61
Canada Life Assurance 80659	\$ 8.27	\$ 7.91	\$ 7.10	\$ 8.27	\$ 7.91	\$ 7.10
Columbia Universal 77720	\$ 7.97	\$ 7.57	\$ 6.62	\$ 7.97	\$ 7.57	\$ 6.62
Conseco Annuity Assurance 60682	\$ 6.96	\$ 6.68	\$ 5.93	\$ 6.96	\$ 6.68	\$ 5.93
Jackson National LIC 65056	\$ 8.22	\$ 7.87	\$ 7.14	\$ 8.49	\$ 8.04	\$ 7.18
Life IC of the Southwest 65528	\$ 8.34	\$ 8.01	\$ 7.23	\$ 8.77	\$ 8.27	\$ 7.28
Lincoln Benefit Life Co. 65595	\$ 8.36	\$ 7.96	\$ 7.16	\$ 8.36	\$ 7.96	\$ 7.16
London Pacific 68934	\$ 8.45	\$ 7.99	\$ 7.16	\$ 8.45	\$ 7.99	\$ 7.16
Midland National Life 66044	\$ 8.01	\$ 7.64	\$ 6.74	\$ 8.01	\$ 7.64	\$ 6.74



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National Guardian LIC ¹ 66583	\$ 7.58	\$ 7.23	\$ 6.41	\$ 7.58	\$ 7.23	\$ 6.41
Peoples Benefit LIC 66605	\$ 8.17	\$ 7.83	\$ 7.14	\$ 8.17	\$ 7.83	\$ 7.14
Presidential LIC 68039	\$ 8.69	\$ 8.28	\$ 7.51	\$ 8.69	\$ 8.28	\$ 7.51
Principal LIC 61271	\$ 8.13	\$ 7.76	\$ 6.98	\$ 8.16	\$ 7.79	\$ 7.00
Providentmutual L&A 70750	\$ 8.05	\$ 7.49	\$ 6.61	\$ 8.05	\$ 7.49	\$ 6.61
Security Benefit LIC 68675	\$ 7.01	\$ 6.78	\$ 6.22	\$ 7.01	\$ 6.78	\$ 6.22
Security Mutual/NY 68772	\$ 8.22	\$ 7.71	\$ 6.63	\$ 8.55	\$ 7.89	\$ 6.64
Southwestern Life 91391	\$ 6.74	\$ 6.49	\$ 5.88	-	-	-
United Heritage Mutual LIC 63983	\$ 8.09	\$ 7.80	\$ 7.05	\$ 8.09	\$ 7.80	\$ 7.05
United of Omaha LIC 69868	\$ 8.45	\$ 8.05	\$ 7.21	\$ 8.45	\$ 8.05	\$ 7.21
USG Annuity & Life 61247	\$ 8.54	\$ 7.99	\$ 6.98	\$ 8.54	\$ 7.99	\$ 6.98

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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²Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 12. Single Life Annuities — Male Age 75

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C ²
AIG Life Ins. Co. 66842	\$11.05	\$ 9.36	\$ 7.39	\$11.05	\$ 9.36	\$ 7.39
American Heritage 60534	\$10.60	\$ 8.97	\$ 6.86	\$10.60	\$ 8.97	\$ 6.86
Canada Life Assurance 80659	\$10.75	\$ 9.26	\$ 7.36	\$10.75	\$ 9.26	\$ 7.36
Columbia Universal 77720	\$10.72	\$ 9.02	\$ 6.86	\$10.72	\$ 9.02	\$ 6.86
Conseco Annuity Assurance 60682	\$ 9.05	\$ 7.97	\$ 6.23	\$ 9.05	\$ 7.97	\$ 6.23
Jackson National LIC 65056	\$10.20	\$ 8.96	\$ 7.37	\$ 9.68	\$ 8.74	\$ 7.34
Life IC of the Southwest 65528	\$10.68	\$ 9.29	-	\$10.00	\$ 8.99	-
Lincoln Benefit Life Co. 65595	\$10.62	\$ 9.21	\$ 7.40	\$10.62	\$ 9.21	\$ 7.40
London Pacific 68934	\$10.67	\$ 9.17	\$ 7.41	\$10.67	\$ 9.17	\$ 7.41
Midland National Life 66044	\$10.34	\$ 8.92	\$ 6.98	\$10.34	\$ 8.92	\$ 6.98



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 9.72	\$ 8.42	\$ 6.62	\$ 9.72	\$ 8.42	\$ 6.62
Peoples Benefit LIC 66605	\$10.34	\$ 9.00	\$ 7.41	\$10.34	\$ 9.00	\$ 7.41
Presidential LIC 68039	\$10.93	\$ 9.42	\$ 7.71	\$10.93	\$ 9.42	\$ 7.71
Principal LIC 61271	\$10.13	\$ 8.82	\$ 7.16	\$10.16	\$ 8.85	\$ 7.18
Providentmutual L&A 70750	\$10.19	\$ 8.26	\$ 6.73	\$10.19	\$ 8.26	\$ 6.73
Security Benefit LIC 68675	\$ 9.18	\$ 8.14	\$ 6.59	\$ 9.18	\$ 8.14	\$ 6.59
Security Mutual/NY 68772	\$10.85	\$ 8.94	\$ 6.79	\$12.15	\$ 9.29	\$ 6.79
Southwestern Life 91391	\$ 9.09	\$ 7.90	\$ 6.23	-	-	-
United Heritage Mutual LIC 63983	\$10.43	\$ 9.12	\$ 7.35	\$10.43	\$ 9.12	\$ 7.35
United of Omaha LIC 69868	\$10.67	\$ 9.22	\$ 7.44	\$10.67	\$ 9.22	\$ 7.44
USG Annuity & Life 61247	\$11.37	\$ 9.30	\$ 7.19	\$11.37	\$ 9.30	\$ 7.19

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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²Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 13. Single Life Annuities — Female Age 75

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C	20yr C&C ²
AIG Life Ins. Co. 66842	\$ 9.75	\$ 8.84	\$ 7.35	\$ 9.75	\$ 8.84	\$ 7.35
American Heritage 60534	\$ 9.25	\$ 8.39	\$ 6.80	\$ 9.25	\$ 8.39	\$ 6.80
Canada Life Assurance 80659	\$ 9.51	\$ 8.71	\$ 7.30	\$ 9.51	\$ 8.71	\$ 7.30
Columbia Universal 77720	\$ 9.36	\$ 8.45	\$ 6.81	\$ 9.36	\$ 8.45	\$ 6.81
Conseco Annuity Assurance 60682	\$ 7.99	\$ 7.42	\$ 6.15	\$ 7.99	\$ 7.42	\$ 6.15
Jackson National LIC 65056	\$ 9.35	\$ 8.59	\$ 7.33	\$ 9.68	\$ 8.74	\$ 7.34
Life IC of the Southwest 65528	\$ 9.47	\$ 8.75	-	\$10.00	\$ 8.99	-
Lincoln Benefit Life Co. 65595	\$ 9.58	\$ 8.73	\$ 7.35	\$ 9.58	\$ 8.73	\$ 7.35
London Pacific 68934	\$ 9.69	\$ 8.76	\$ 7.36	\$ 9.69	\$ 8.76	\$ 7.36
Midland National Life 66044	\$ 9.35	\$ 8.50	\$ 6.94	\$ 9.35	\$ 8.50	\$ 6.94



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$ 8.81	\$ 8.03	\$ 6.59	\$ 8.81	\$ 8.03	\$ 6.59
Peoples Benefit LIC 66605	\$ 9.29	\$ 8.56	\$ 7.37	\$ 9.29	\$ 8.56	\$ 7.37
Presidential LIC 68039	\$ 9.87	\$ 8.99	\$ 7.67	\$ 9.87	\$ 8.99	\$ 7.67
Principal LIC 61271	\$ 9.34	\$ 8.52	\$ 7.14	\$ 9.36	\$ 8.54	\$ 7.16
Providentmutual L&A 70750	\$ 9.00	\$ 7.88	\$ 6.68	\$ 9.00	\$ 7.88	\$ 6.68
Security Benefit LIC 68675	\$ 8.06	\$ 7.54	\$ 6.49	\$ 8.06	\$ 7.54	\$ 6.49
Security Mutual/NY 68772	\$ 9.75	\$ 8.57	\$ 6.76	\$10.17	\$ 8.68	\$ 6.76
Southwestern Life 91391	\$ 7.86	\$ 7.28	\$ 6.14	-	-	-
United Heritage Mutual LIC 63983	\$ 9.43	\$ 8.67	\$ 7.29	\$ 9.43	\$ 8.67	\$ 7.29
United of Omaha LIC 69868	\$ 9.72	\$ 8.84	\$ 7.40	\$ 9.72	\$ 8.84	\$ 7.40
USG Annuity & Life 61247	\$ 9.83	\$ 8.74	\$ 7.14	\$ 9.83	\$ 8.74	\$ 7.14

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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²Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 14. Single Life Annuities — Male Age 80

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C ²	20yr C&C ³
AIG Life Ins. Co. 66842	\$13.30	\$10.05	\$ 7.44	\$13.30	\$10.05	\$ 7.44
American Heritage 60534	\$12.95	\$ 9.74	\$ 6.91	\$12.95	\$ 9.74	\$ 6.91
Canada Life Assurance 80659	\$12.81	\$10.00	\$ 7.42	\$12.81	\$10.00	\$ 7.42
Columbia Universal 77720	\$13.11	\$ 9.78	\$ 6.92	\$13.11	\$ 9.78	\$ 6.92
Conseco Annuity Assurance 60682	\$10.62	\$ 8.65	\$ 6.31	\$10.62	\$ 8.65	\$ 6.31
Jackson National LIC 65056	\$12.02	\$ 9.64	\$ 7.43	\$11.43	\$ 9.49	\$ 7.43
Life IC of the Southwest 65528	\$12.65	-	-	\$11.79	-	-
Lincoln Benefit Life Co. 65595	-	\$ 9.95	\$ 7.47	-	\$ 9.95	\$ 7.47
London Pacific 68934	\$12.67	\$ 9.89	\$ 7.49	\$12.67	\$ 9.89	\$ 7.49
Midland National Life 66044	\$12.50	\$ 9.71	\$ 7.05	\$12.50	\$ 9.71	\$ 7.05



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$11.69	\$ 9.16	\$ 6.69	\$11.69	\$ 9.16	\$ 6.69
Peoples Benefit LIC 66605	\$12.22	\$ 9.67	\$ 7.46	\$12.22	\$ 9.67	\$ 7.46
Presidential LIC 68039	\$13.10	\$10.09	\$ 7.76	\$13.10	\$10.09	\$ 7.76
Principal LIC 61271	\$12.09	\$ 9.55	\$ 7.22	\$12.12	\$ 9.58	\$ 7.24
Providentmutual L&A 70750	\$11.71	\$ 8.62	\$ 6.78	\$11.71	\$ 8.62	\$ 6.78
Security Benefit LIC 68675	\$11.02	\$ 8.94	\$ 6.71	\$11.02	\$ 8.94	\$ 6.71
Security Mutual/NY 68772	\$13.37	\$ 9.66	\$ 6.81	\$15.00	\$ 9.81	\$ 6.81
Southwestern Life 91391	\$11.09	\$ 8.69	\$ 6.33	-	-	-
United Heritage Mutual LIC 63983	\$12.37	\$ 9.70	\$ 7.39	\$12.37	\$ 9.70	\$ 7.39
United of Omaha 69868	\$12.72	\$ 9.93	\$ 7.51	\$12.72	\$ 9.93	\$ 7.51
USG Annuity & Life 61247	\$13.37	\$ 9.91	\$ 7.24	\$13.37	\$ 9.91	\$ 7.24

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life.

²Exceeds maximum guarantee period allowed by IRS.

³Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 15. Single Life Annuities — Female Age 80

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C ²	20yr C&C ³
AIG Life Ins. Co. 66842	\$11.70	\$ 9.68	\$ 7.43	\$11.70	\$ 9.68	\$ 7.43
American Heritage 60534	\$11.30	\$ 9.33	\$ 6.90	\$11.30	\$ 9.33	\$ 6.90
Canada Life Assurance 80659	\$11.34	\$ 9.57	\$ 7.40	\$11.34	\$ 9.57	\$ 7.40
Columbia Universal 77720	\$11.45	\$ 9.38	\$ 6.90	\$11.45	\$ 9.38	\$ 6.90
Conseco Annuity Assurance 60682	\$ 9.43	\$ 8.23	\$ 6.28	\$ 9.43	\$ 8.23	\$ 6.28
Jackson National LIC 65056	\$11.07	\$ 9.40	\$ 7.43	\$11.43	\$ 9.49	\$ 7.43
Life IC of the Southwest 65528	\$11.18	-	-	\$11.79	-	-
Lincoln Benefit Life Co. 65595	-	\$ 9.58	\$ 7.45	-	\$ 9.58	\$ 7.45
London Pacific 68934	\$11.54	\$ 9.61	\$ 7.47	\$11.54	\$ 9.61	\$ 7.47
Midland National Life 66044	\$11.38	\$ 9.44	\$ 7.03	\$ 11.38	\$ 9.44	\$ 7.03



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$10.67	\$ 8.91	\$ 6.68	\$10.67	\$ 8.91	\$ 6.68
Peoples Benefit LIC 66605	\$10.92	\$ 9.32	\$ 7.45	\$10.92	\$ 9.32	\$ 7.45
Presidential LIC 68039	\$11.71	\$ 9.77	\$ 7.75	\$11.71	\$ 9.77	\$ 7.75
Principal LIC 61271	\$11.18	\$ 9.36	\$ 7.21	\$11.21	\$ 9.38	\$ 7.23
Providentmutual L&A 70750	\$10.19	\$ 8.26	\$ 6.73	\$10.19	\$ 8.26	\$ 6.73
Security Benefit LIC 68675	\$ 9.64	\$ 8.45	\$ 6.67	\$ 9.64	\$ 8.45	\$ 6.67
Security Mutual/NY 68772	\$12.13	\$ 9.42	\$ 6.80	\$12.42	\$ 9.41	\$ 6.80
Southwestern Life 91391	\$ 9.55	\$ 8.19	\$ 6.29	-	-	-
United Heritage Mutual LIC 63983	\$11.21	\$ 9.38	\$ 7.36	\$11.21	\$ 9.38	\$ 7.36
United of Omaha LIC 69868	\$11.64	\$ 9.69	\$ 7.50	\$11.64	\$ 9.69	\$ 7.50
USG Annuity & Life 61247	\$11.65	\$ 9.53	\$ 7.22	\$11.65	\$ 9.53	\$ 7.22

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

Immediate Annuities Update

Table 16. Single Life Annuities — Male Age 85

Reporting Companies	Non-Qualified Funds			Qualified Funds		
	Life	10yr	20yr	Life	10yr	20yr
AIG Life Ins. Co. 66842	\$15.71	\$10.48	\$ 7.46	\$15.71	\$10.48	\$ 7.46
American Heritage 60534	\$16.20	\$10.32	\$ 6.93	\$16.20	\$10.32	\$ 6.93
Canada Life Assurance 80659	\$15.53	\$10.48	\$ 7.44	\$15.53	\$10.48	\$ 7.44
Columbia Universal 77720	\$16.40	\$10.35	\$ 6.94	\$16.40	\$10.35	\$ 6.94
Conseco Annuity Assurance 60682	\$12.56	\$ 9.24	-	\$12.56	\$ 9.24	-
Jackson National LIC 65056	\$14.56	\$10.25	\$ 7.46	\$14.02	\$10.18	\$ 7.46
Life IC of the Southwest 65528	\$15.38	-	-	\$14.39	-	-
Lincoln Benefit Life Co. 65595	-	\$10.50	\$ 7.49	-	\$10.50	\$ 7.49
London Pacific 68934	\$15.56	\$10.47	\$ 7.52	\$15.56	\$10.47	\$ 7.52
Midland National Life 66044	\$15.55	\$10.34	\$ 7.07	\$15.55	\$10.34	\$ 7.07



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

National Guardian LIC ¹ 66583	\$14.46	\$ 9.75	\$ 6.71	\$14.46	\$ 9.75	\$ 6.71
Peoples Benefit LIC 66605	\$15.02	\$10.23	\$ 7.46	\$15.02	\$10.23	\$ 7.46
Presidential LIC 68039	\$16.18	\$10.60	\$ 7.77	\$16.18	\$10.60	\$ 7.77
Principal LIC 61271	\$14.93	\$10.17	\$ 7.25	\$14.97	\$10.20	\$ 7.27
Providentmutual L&A 70750	\$13.75	\$ 8.96	\$ 6.80	\$ 13.75	\$ 8.96	\$ 6.80
Security Benefit LIC 68675	\$13.62	\$ 9.65	\$ 6.75	\$13.62	\$ 9.65	\$ 6.75
Security Mutual/NY 68772	\$17.27	\$10.16	\$ 6.82	\$18.62	\$10.14	\$ 6.82
Southwestern Life 91391	\$13.95	\$ 9.35	\$ 6.35	-	-	-
United Heritage Mutual LIC 63983	\$15.47	\$10.37	\$ 7.42	\$15.47	\$10.37	\$ 7.42
United of Omaha LIC 69868	\$15.59	\$10.49	\$ 7.53	\$15.59	\$10.49	\$ 7.53
USG Annuity & Life 61247	\$16.16	\$10.41	\$ 7.25	\$16.16	\$10.41	\$ 7.25

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

Immediate Annuities Update

Table 17. Single Life Annuities — Female Age 85

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C ²	20yr C&C ³
AIG Life Ins. Co. 66842	\$13.96	\$10.26	\$ 7.45	\$13.96	\$10.26	\$ 7.45
American Heritage 60534	\$14.39	\$10.11	\$ 6.93	\$14.39	\$10.11	\$ 6.93
Canada Life Assurance 80659	\$14.00	\$10.29	\$ 7.43	\$14.00	\$10.29	\$ 7.43
Columbia Universal 77720	\$14.36	\$10.11	\$ 6.93	\$14.36	\$10.11	\$ 6.93
Conseco Annuity Assurance 60682	\$11.38	\$ 8.97	-	\$11.38	\$ 8.97	-
Jackson National LIC 65056	\$13.67	\$10.14	\$ 7.46	\$14.02	\$10.18	\$ 7.46
Life IC of the Southwest 65528	\$13.75	-	-	\$14.39	-	-
Lincoln Benefit Life Co. 65595	-	\$10.30	\$ 7.49	-	\$10.30	\$ 7.49
London Pacific 68934	\$14.46	\$10.34	\$ 7.51	\$14.46	\$10.34	\$ 7.51
Midland National Life 66044	\$14.47	\$10.23	\$ 7.07	\$14.47	\$10.23	\$ 7.07



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National Guardian LIC ¹ 66583	\$13.49	\$ 9.64	\$ 6.71	\$13.49	\$ 9.64	\$ 6.71
Peoples Benefit LIC 66605	\$13.51	\$10.02	\$ 7.46	\$13.51	\$10.02	\$ 7.46
Presidential LIC 68039	\$14.62	\$10.43	\$ 7.77	\$14.62	\$10.43	\$ 7.77
Principal LIC 61271	\$14.06	\$10.10	\$ 7.25	\$14.11	\$10.13	\$ 7.27
Providentmutual L&A 70750	\$11.71	\$ 8.62	\$ 6.78	\$11.71	\$ 8.62	\$ 6.78
Security Benefit LIC 68675	\$12.04	\$ 9.34	\$ 6.74	\$12.04	\$ 9.34	\$ 6.74
Security Mutual/NY 68772	\$15.88	\$ 9.99	\$ 6.81	\$15.61	\$ 9.97	\$ 6.82
Southwestern Life 91391	\$12.15	\$ 9.06	\$ 6.35	-	-	-
United Heritage Mutual LIC 63983	\$14.35	\$10.22	\$ 7.42	\$14.35	\$10.22	\$ 7.42
United of Omaha LIC 69868	\$14.55	\$10.39	\$ 7.53	\$14.55	\$10.39	\$ 7.53
USG Annuity & Life 61247	\$14.42	\$10.22	\$ 7.25	\$14.42	\$10.22	\$ 7.25

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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²Exceeds maximum guarantee period allowed by IRS.

³Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 18. Single Life Annuities — Male Age 90

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	Life Only	10yr C&C	20yr C&C	Life Only	10yr C&C ²	20yr C&C ³
Canada Life Assurance 80659	\$18.92	\$10.81	\$ 7.44	\$18.92	\$10.81	\$ 7.44
Conseco Annuity Assurance 60682	\$14.86	\$ 9.71	-	\$14.86	\$ 9.71	-
Jackson National LIC 65056	\$18.05	\$10.66	\$ 7.47	\$17.67	\$10.64	\$ 7.47
Lincoln Benefit Life Co. 65595	-	\$10.50	\$ 7.49	-	\$10.50	\$ 7.49
London Pacific 68934	\$19.52	\$10.86	\$ 7.52	\$19.52	\$10.86	\$ 7.52
Midland National Life 66044	\$19.77	\$10.75	\$ 7.07	\$19.77	\$10.75	\$ 7.07
National Guardian LIC ¹ 66583	\$18.25	\$10.13	\$ 6.72	\$18.25	\$10.13	\$ 6.72



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

Peoples Benefit LIC 66605	\$19.08	\$10.68	\$ 7.46	\$19.08	\$10.68	\$ 7.46
Presidential LIC 68039	\$20.51	\$10.91	\$ 7.77	\$20.51	\$10.91	\$ 7.77
Principal LIC 61271	-	\$10.59	\$ 7.26	-	\$10.62	\$ 7.28
Providentmutual L&A 70750	\$16.60	\$ 9.25	\$ 6.80	\$16.60	\$ 9.25	\$ 6.80
Security Benefit LIC 68675	\$17.29	\$10.19	\$ 6.76	\$17.29	\$10.19	\$ 6.76
Southwestern Life 91391	\$17.98	\$ 9.80	\$ 6.36	-	-	-
United Heritage Mutual LIC 63983	-	\$10.68	\$ 7.42	-	\$10.68	\$ 7.42

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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²Exceeds maximum guarantee period allowed by IRS.

³Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 19. Single Life Annuities — Female Age 90

Reporting Companies	Non-Qualified Funds			Qualified Funds		
	Life	10yr	20yr	Life	10yr	20yr
Canada Life Assurance 80659	\$17.63	\$10.72	\$ 7.44	\$17.63	\$10.72	\$ 7.44
Conseco Annuity Assurance 60682	\$13.81	\$ 9.53	-	\$13.81	\$ 9.53	-
Jackson National LIC 65056	\$17.41	\$10.62	\$ 7.49	\$17.67	\$10.64	\$ 7.47
Lincoln Benefit Life Co. 65595	-	\$10.30	\$ 7.49	-	\$10.30	\$ 7.49
London Pacific 68934	\$18.72	\$10.80	\$ 7.52	\$18.72	\$10.80	\$ 7.52
Midland National Life 66044	\$18.99	\$10.70	\$ 7.07	\$18.99	\$10.70	\$ 7.07
National Guardian LIC ¹ 66583	\$17.56	\$10.09	\$ 6.72	\$17.56	\$10.09	\$ 6.72



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Peoples Benefit LIC 66605	\$17.63	\$10.58	\$ 7.46	\$17.63	\$10.58	\$ 7.46
Presidential LIC 68039	\$18.92	\$10.83	\$ 7.77	\$18.92	\$10.83	\$ 7.77
Principal LIC 61271	-	\$10.57	\$ 7.26	-	\$10.60	\$ 7.28
Providentmutual L&A 70750	\$13.75	\$ 8.96	\$ 6.80	\$13.75	\$ 8.96	\$ 6.80
Security Benefit LIC 68675	\$15.64	\$10.04	\$ 6.76	\$15.64	\$10.04	\$ 6.76
Southwestern Life 91391	\$16.11	\$ 9.67	\$ 6.36	-	-	-
United Heritage Mutual LIC 63983	-	\$10.62	\$ 7.42	-	\$10.62	\$ 7.42

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³Exceeds maximum guarantee period allowed by IRS.

Immediate Annuities Update

Table 20. Joint & Survivor Annuities — Male age 60, Female Age 57

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing
AIG Life Ins. Co. 66842	\$ 7.17	\$ 6.95	\$ 6.41	\$ 7.17	\$ 6.95	\$ 6.41
American Heritage Life 60534	\$ 6.51	\$ 6.29	\$ 5.72	\$ 6.51	\$ 6.29	\$ 5.72
Canada Life Assurance 80659	\$ 6.97	\$ 6.77	\$ 6.22	\$ 6.97	\$ 6.77	\$ 6.22
Columbia Universal 77720	\$ 6.32	-	\$ 5.75	\$ 6.32	-	\$ 5.75
Conseco Annuity Assurance 60682	\$ 5.85	-	\$ 5.08	\$ 5.85	-	\$ 5.08
Jackson National Life 65056	\$ 7.04	\$ 6.83	\$ 6.38	\$ 7.00	\$ 6.73	\$ 6.39
Life IC of the Southwest 65528	\$ 6.47	\$ 6.27	\$ 5.76	-	\$ 6.17	\$ 5.78
Lincoln Benefit Life Co. 65595	\$ 7.06	\$ 6.84	\$ 6.38	\$ 7.06	\$ 6.84	\$ 6.38
Midland National Life 66044	\$ 6.58	-	\$ 5.85	\$ 6.58	-	\$ 5.85
National Guardian LIC ¹ 66583	-	-	\$ 5.58	-	-	\$ 5.58



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.

Peoples Benefit LIC 66605	\$ 6.97	\$ 6.76	\$ 6.27	\$ 6.97	\$ 6.76	\$ 6.27
Presidential LIC 68039	\$ 7.44	\$ 7.23	\$ 6.74	\$ 7.44	\$ 7.23	\$ 6.74
Principal LIC 61271	\$ 6.98	\$ 6.76	\$ 6.32	\$ 7.00	\$ 6.78	\$ 6.34
Providentmutual L&A 70750	\$ 6.68	-	\$ 5.54	\$ 6.82	-	\$ 5.65
Security Benefit LIC 68675	\$ 6.05	\$ 5.88	\$ 5.43	-	\$ 5.88	\$ 5.43
Security Mutual/NY 68772	-	\$ 6.50	\$ 5.91	-	\$ 6.73	\$ 6.01
Southwestern Life 91391	\$ 5.62	\$ 5.45	\$ 4.98	\$ 5.62	\$ 5.36	\$ 5.02
United Heritage Mutual LIC 63983	\$ 6.92	-	\$ 6.20	\$ 6.92	-	\$ 6.20
United of Omaha LIC 69868	\$ 7.08	\$ 6.86	\$ 6.35	\$ 7.08	\$ 6.86	\$ 6.35
USG Annuity & Life 61247	\$ 7.17	-	\$ 6.30	\$ 7.17	-	\$ 6.30

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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Immediate Annuities Update

Table 21. Joint & Survivor Annuities — Male age 65, Female Age 62

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing
AIG Life Ins. Co. 66842	\$ 7.78	\$ 7.49	\$ 6.77	\$ 7.78	\$ 7.49	\$ 6.77
American Heritage 60534	\$ 7.15	\$ 6.85	\$ 6.12	\$ 7.15	\$ 6.85	\$ 6.12
Canada Life Assurance 80659	\$ 7.59	\$ 7.31	\$ 6.61	\$ 7.59	\$ 7.31	\$ 6.61
Columbia Universal 77720	\$ 6.90	-	\$ 6.15	\$ 6.90	-	\$ 6.15
Conseco Annuity Assurance 60682	\$ 6.45	-	\$ 5.46	\$ 6.45	-	\$ 5.46
Jackson National LIC 65056	\$ 7.56	\$ 7.29	\$ 6.68	\$ 7.51	\$ 7.16	\$ 6.69
Life IC of the Southwest 65528	\$ 7.05	\$ 6.79	\$ 6.11	-	\$ 6.65	\$ 6.14
Lincoln Benefit Life Co. 65595	\$ 7.62	\$ 7.32	\$ 6.70	\$ 7.62	\$ 7.32	\$ 6.70
Midland National Life 66044	\$ 7.20	-	\$ 6.22	\$ 7.20	-	\$ 6.22
National Guardian LIC ¹ 66583	-	-	\$ 5.92	-	-	\$ 5.92



Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.


Peoples Benefit LIC 66605	\$ 7.56	\$ 7.26	\$ 6.59	\$ 7.56	\$ 7.26	\$ 6.59
Presidential LIC 68039	\$ 8.01	\$ 7.73	\$ 7.09	\$ 8.01	\$ 7.73	\$ 7.09
Principal LIC 61271	\$ 7.48	\$ 7.19	\$ 6.59	\$ 7.50	\$ 7.21	\$ 6.61
Providentmutual L&A 70750	\$ 7.29	-	\$ 5.95	\$ 7.44	-	\$ 6.07
Security Benefit LIC 68675	\$ 6.56	\$ 6.33	\$ 5.72	-	\$ 6.33	\$ 5.72
Security Mutual/NY 68772	-	\$ 7.06	\$ 6.31	-	\$ 7.43	\$ 6.48
Southwestern Life 91391	\$ 6.16	\$ 5.92	\$ 5.30	\$ 6.15	\$ 5.81	\$ 5.35
United Heritage Mutual LIC 63983	\$ 7.51	-	\$ 6.54	\$ 7.51	-	\$ 6.54
United of Omaha 69868	\$ 7.67	\$ 7.37	\$ 6.71	\$ 7.67	\$ 7.37	\$ 6.71
USG Annuity & Life 61247	\$ 7.85	-	\$ 6.68	\$ 7.85	-	\$ 6.68

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000

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Immediate Annuities Update

Table 22. Joint & Survivor Annuities — Male age 70, Female Age 67

Reporting Companies (NAIC ID Number)	Non-Qualified Funds			Qualified Funds		
	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing
AIG Life Ins. Co. 66842	\$ 8.64	\$ 8.24	\$ 8.64	\$ 8.64	\$ 8.24	\$ 8.64
American Heritage 60534	\$ 8.06	\$ 7.66	\$ 6.69	\$ 8.06	\$ 7.66	\$ 6.69
Canada Life Assurance 80659	\$ 8.43	\$ 8.07	\$ 7.14	\$ 8.43	\$ 8.07	\$ 7.14
Columbia Universal 77720	\$ 7.72	-	\$ 6.73	\$ 7.72	-	\$ 6.73
Conseco Annuity Assurance 60682	\$ 7.13	-	\$ 5.91	\$ 7.13	-	\$ 5.91
Jackson National LIC 65056	\$ 8.32	\$ 7.94	\$ 7.13	\$ 8.26	\$ 7.77	\$ 7.14
Life IC of the Southwest 65528	\$ 7.87	\$ 7.50	\$ 6.61	-	\$ 7.33	\$ 6.66
Lincoln Benefit Life Co. 65595	\$ 8.42	\$ 8.02	\$ 7.18	\$ 8.42	\$ 8.02	\$ 7.18
Midland National Life 66044	\$ 8.07	-	\$ 6.77	\$ 8.07	-	\$ 6.77
National Guardian LIC ¹ 66583	-	-	\$ 6.42	-	-	\$ 6.42
 Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.						
Peoples Benefit LIC 66605	\$ 8.31	\$ 7.91	\$ 7.04	\$ 8.31	\$ 7.91	\$ 7.04
Presidential LIC 68039	\$ 8.79	\$ 8.41	\$ 7.56	\$ 8.79	\$ 8.41	\$ 7.56
Principal LIC 61271	\$ 8.19	\$ 7.79	\$ 6.98	\$ 8.22	\$ 7.81	\$ 7.00
Providentmutual L&A 70750	\$ 8.06	-	\$ 6.45	\$ 8.22	-	\$ 6.58
Security Benefit LIC 68675	\$ 7.17	\$ 6.86	\$ 6.07	-	\$ 6.86	\$ 6.07
Security Mutual/NY 68772	-	\$ 7.87	\$ 6.89	-	\$ 8.40	\$ 7.15
Southwestern Life 91391	\$ 6.91	\$ 6.60	\$ 5.77	\$ 6.92	\$ 6.45	\$ 5.84
United Heritage Mutual LIC 63983	\$ 8.17	-	\$ 6.86	\$ 8.17	-	\$ 6.86
United of Omaha 69868	\$ 8.51	\$ 8.11	\$ 7.23	\$ 8.51	\$ 8.11	\$ 7.23
USG Annuity & Life 61247	\$ 8.78	-	\$ 7.23	\$ 8.78	-	\$ 7.23
Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000 ¹ National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life.						

Immediate Annuities Update

Table 23. Joint & Survivor Annuities — Male age 75, Female Age 72

Reporting Companies (NAIC IDNumber)	Non-Qualified Funds			Qualified Funds		
	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non- reducing
AIG Life Ins. Co. 66842	\$ 9.87	\$ 9.31	\$ 9.87	\$ 9.87	\$ 9.31	\$ 9.87
American Heritage 60534	\$ 9.36	\$ 8.79	\$ 7.51	\$ 9.36	\$ 8.79	\$ 7.51
Canada Life Assurance 80659	\$ 9.63	\$ 9.11	\$ 7.91	\$ 9.63	\$ 9.11	\$ 7.91
Columbia Universal 77720	\$ 8.88	-	\$ 7.58	\$ 8.88	-	\$ 7.58
Conseco Annuity Assurance 60682	\$ 8.10	-	\$ 6.53	\$ 8.10	-	\$ 6.53
Jackson National LIC 65056	\$ 9.40	\$ 8.86	\$ 7.79	\$ 9.35	\$ 8.67	\$ 7.81
Life IC of the Southwest 65528	\$ 9.02	\$ 8.52	\$ 7.34	-	\$ 8.30	\$ 7.40
Lincoln Benefit Life Co. 65595	\$ 9.61	\$ 9.06	\$ 7.90	\$ 9.61	\$ 9.06	\$ 7.90
Midland National Life 66044	\$ 9.32	-	\$ 7.56	\$ 9.32	-	\$ 7.56
National Guardian LIC ¹ 66583	-	-	\$ 7.05	-	-	\$ 7.05
 Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.						
Peoples Benefit LIC 66605	\$ 9.37	\$ 8.85	\$ 7.73	\$ 9.37	\$ 8.85	\$ 7.73
Presidential LIC 68039	\$ 9.93	\$ 9.40	\$ 8.25	\$ 9.93	\$ 9.40	\$ 8.25
Principal LIC 61271	\$ 9.32	\$ 8.75	\$ 7.66	\$ 9.35	\$ 8.78	\$ 7.69
Providentmutual L&A 70750	\$ 9.03	-	\$ 7.04	\$ 9.21	-	\$ 7.18
Security Benefit LIC 68675	\$ 8.19	\$ 7.75	\$ 6.70	-	\$ 7.75	\$ 6.70
Security Mutual/NY 68772	-	\$ 9.07	\$ 7.79	-	\$ 9.75	\$ 8.14
Southwestern Life 91391	\$ 8.00	\$ 7.55	\$ 6.45	\$ 8.03	\$ 7.38	\$ 6.55
United Heritage Mutual LIC 63983	\$ 9.41	-	\$ 6.86	\$ 9.41	-	\$ 6.86
United of Omaha 69868	\$ 9.08	\$ 8.76	\$ 7.43	\$ 9.08	\$ 8.76	\$ 7.43
USG Annuity & Life 61247	\$10.04	-	\$ 8.01	\$10.04	-	\$ 8.01
Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 5, 2000 ¹ National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life.						

Deferred Annuities Update

In a deferred annuity your premium is credited with a fixed interest rate (see column with heading for rate on current issue's date). The length of time for which this rate is guaranteed is shown in the **Rate Guar. Period** column. The column with the heading of last issue's date indicates the crediting rate that was in effect at the time of our prior issue. Some insurers offer protection against low renewal rates with a feature known as a "Bailout"

or "Escape" rate (see Table 20 column with **Bailout Escape Rate** heading). Almost all annuities set a minimum or floor rate below which the annual interest rate is guaranteed never to drop (see **Guar. Rate**). There are two basic methods by which insurance companies set renewal rates once the current rate period ends (see **Rnw1 Mthd** column). **P** stands for "Portfolio Method," which means that renewal rates for old monies (i.e. existing annuities) are the same as the rates being cred-

ited on new monies. **I** stands for "Investment Year" method (aka "Banded" or "Bucket" method). This means that renewal rates are set at different rates for monies received at different times. Old monies (i.e. existing annuities) may earn higher or lower rates than new annuities. The column headed **Surrender Fees Yr 1 and Yr 7** reports the penalties in effect for the two sample years indicated. Quotes include all fees and commissions but not premium taxes, if applicable.

Table 24. Single Premium Fixed Interest Deferred Annuities - With Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Bail-out Escape Rate	Guar. Rate	Rnw1 Mthd	Surrender Fees Yr 1 Yr 7
AIG Life 66842	SPDA	0-75	6.50%	1.50%	nr	5.05%	nr	1 Year	na	3.00%	I	6% 0%
American Heritage 60534	SPDA-2	0-75	5.87%	na	5.62%	5.25%	5.62%	1 Year	5.87%	5.00%	nr	7% 1%
Jackson National 65056	Action II	0-85	5.80%	1.45%	nr	nr	nr	1 Year	nr	3.00%	I	9% 3%
Jackson National 65056	Bonus Max	0-85	6.50%	1.25%	nr	nr	nr	1 Year	nr	3.00%	I	9% 3%
Jackson National 65056	Bonus Max I	0-85	6.50%	3.25%	nr	nr	nr	1 Year	nr	3.00%	I	9% 3%
Lincoln Benefit 65595	Opportunist III	0-99	nr	nr	nr	nr	4.75%	1 Year	4.00%	4.00%	I	7% 4%
Lincoln Benefit 65595	Opportunist IV	0-99	nr	nr	nr	nr	5.05%	1 Year	4.30%	4.00%	I	7% 4%
Ohio National 89206	Choice Classic	0-80	nr	nr	nr	nr	5.20%	1 Year	4.19%	3.00%	I	8% 2%
Presidential Life 68039	SPDA II	0-85	6.80%	na	6.65%	5.85%	5.60%	2 Yrs	4.80%	5.00%	I	6% 2%
Providentmutual 70750	SPDA I	0-75	6.70%	na	5.95%	nr	4.40%	1 Year	1.00%	3.00%	I	7% 1%
Providentmutual 70750	SPDA II	0-75	nr	nr	5.95%	nr	4.15%	2 Yrs	1.00%	3.00%	I	7% 1%
Security Mutual/NY 68772	SPDA	0-80	5.75%	na	4.75%	4.75%	4.75%	1 Year	4.75%	3.50%	I	5% 0%
Security Mutual/NY 68772	SPDA	0-80	6.00%	na	5.00%	5.00%	5.25%	3 Yrs	5.00%	3.50%	I	5% 0%

Survey period: May 5, 2000; nr = product not reported for this issue.

Deferred Annuities Update

Table 25. Single Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnw/ Mthd	Surrender Fees Yr 1	Yr 7
AIG 66842	SPDA	0-75	nr	nr	6.00%	5.05%	5.05%	1 Year	3.00%	I	6%	0%
American Heritage 60534	PFP	0-69	5.37%	na	5.12%	4.00%	nr	na	4.00%	nr	10%	2%
Canada Life Assurance 80659	Security I	0-80	nr	1.25%	6.00%	5.00%	5.00%	1 Year	3.00%	N	7%	2%
Columbia Universal 77720	CEO's Choice	0-85	nr	nr	nr	6.25%	nr	1 Year	4.00%	I	8%	0%
Columbia Universal 77720	Heritage	0-85	nr	nr	nr	5.25%	5.25%	1 Year	3.50%	P	9%	2%
Columbia Universal 77720	President's	0-85	nr	nr	6.40%	5.75%	nr	1 Year	4.50%	I	8%	0%
Columbia Universal 77720	Select Choice	0-85	7.35%	na	nr	nr	nr	5 Years	3.50%	I	8%	0%
Commercial Union 62898	Port. Secure	0-85	nr	nr	nr	nr	4.25%	1 Year	nr	P	6%	1%
Conseco Annuity Assur 60682	SPDA 8	0-74	5.85%	1.00%	5.85%	5.10%	4.95%	1 Year	4.00%	I	10%	3%
Delta Life & Annuity 65145	SPDA PS	0-75	nr	nr	6.75%	nr	nr	1 Year	4.00%	I	6%	3%
Fidelity & Guar. Life 63274	Fidelity	0-85	nr	nr	nr	nr	5.05%	1 Year	3.00%	I	5%	0%
Fidelity & Guar. Life 63274	Fidelity +	0-85	nr	nr	nr	nr	4.75%	1 Year	3.00%	I	5%	0%
Fidelity & Guar. Life 63274	F & G III	0-85	nr	nr	nr	nr	4.95%	3 Years	3.00%	I	5%	0%
Fidelity & Guar. Life 63274	Resolute 4	0-85	nr	nr	nr	nr	4.45%	4 Years	3.00%	I	9%	3%
Fidelity & Guar. Life 63274	Resolute 5	0-85	nr	nr	nr	nr	5.00%	5 Years	3.00%	I	9%	3%
Fidelity & Guar. Life 63274	Resolute +	0-85	nr	nr	nr	nr	4.75%	1 Year	3.00%	I	9%	3%
Fidelity & Guar. Life 63274	Wealthmaster 4	0-85	nr	nr	nr	nr	4.90%	4 Years	3.00%	I	9%	3%
Fidelity & Guar. Life 63274	Wealthmaster 5	0-85	nr	nr	nr	nr	5.25%	5 Years	3.00%	I	9%	3%
Fidelity & Guar. Life 63274	Wealthmaster +	0-85	nr	nr	nr	nr	5.20%	1 Year	3.00%	I	9%	3%
Jackson National 65056	Action II	0-85	nr	nr	5.55%	5.05%	4.05%	1 Year	3.00%	I	9%	3%
Jackson National 65056	Bonus Max	0-85	nr	1.25%	6.25%	5.75%	4.75%	1 Year	3.00%	I	9%	3%
Jackson National 65056	Bonus Max One	0-85	nr	3.25%	6.25%	5.75%	4.75%	1 Year	3.00%	I	9%	3%
Jackson National 65056	Flex I	0-85	nr	nr	nr	5.75%	nr	1 Year	3.00%	I	12%	3%

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Survey period: May 5, 2000; nr = product not reported for this issue.

Deferred Annuities Update

Table 25. Single Premium Fixed Interest Deferred Annuities - Without Bailout, cont'd

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees Yr 1 Yr 7
Jefferson Pilot 67865	Flex Savers Bonus	0-85	nr	nr	nr	nr	4.75%	1 Year	3.50%	na	7% 2%
Jefferson Pilot 67865	Pilot Plus	0-85	nr	nr	nr	nr	5.00%	1 Year	3.00%	na	9% 3.5%
Jefferson Pilot 67865	Sec. Advantage	0-85	nr	nr	nr	nr	4.95%	1 Year	3.50%	na	7% 2%
Jefferson Pilot 67865	Single 3	0-85	nr	nr	nr	nr	5.00%	3 Years	3.25%	na	7% 2%
Jefferson Pilot 67865	Single 5	0-85	nr	nr	nr	na	4.50%	5 Years	6.00%	p	-
Keyport Life 64602	Key Annuity	0-85	nr	na	6.10%	5.15%	4.55%	1 Year	3.50%	i	7% 0%
Keyport Life 64602	Premier 5	0-85	nr	1.50%	5.80%	5.00%	4.50%	5 Years	3.50%	i	8% 3%
Life Insur. Co./Southwest 65528	Millennium	0-70	nr	2.25%	6.00%	nr	nr	2 Years	3.00%	i	10% 4%
Life Insur. Co./Southwest 65528	SPDA 3	0-70	6.25%	1.00%	6.00%	5.00%	5.00%	2 Years	3.00%	i	10% 0%
Life Insur. Co./Southwest 65528	SPDA 4	0-70	6.25%	1.50%	6.00%	5.00%	5.00%	2 Years	3.00%	i	10% 4%
Life Insur. Co./Southwest 65528	SPDA 5	0-70	6.25%	2.00%	6.00%	5.00%	5.00%	2 Years	3.00%	i	10% 4%
Lincoln Benefit 65595	Opportunist III	0-99	nr	nr	nr	nr	5.00%	1 Year	4.00%	i	7% 4%
Lincoln Benefit 65595	Opportunist IV	0-99	nr	nr	nr	nr	5.30%	1 Year	4.00%	i	7% 4%
Lincoln Benefit 65595	Opportunist V	0-99	nr	nr	nr	nr	4.35%	1 Year	4.00%	i	5% 0%
Lincoln Benefit 65595	Saver's Choice	0-99	5.50%	1.50%	5.05%	4.40%	4.75%	1 Year	3.00%	i	7% 0%
Lincoln Benefit 65595	Saver's Choice+	0-99	6.00%	2.50%	5.75%	5.10%	4.75%	1 Year	3.00%	i	7% 3%
Lincoln Benefit 65595	Saver's Ch Prem	0-99	6.50%	1.50%	6.25%	5.50%	nr	2 Years	3.00%	i	8% 4%
Lincoln Benefit 65595	Saver's Ch Prem	0-99	6.30%	1.50%	6.05%	5.30%	nr	4 Years	3.00%	i	8% 4%
London Pacific 68934	Opt Income+	0-80	nr	nr	nr	nr	6.00%	1 Year	3.00%	na	10%
London Pacific 68934	Regal Accum 1	0-80	nr	nr	nr	nr	6.30%	1 Year	3.00%	i	9%
London Pacific 68934	Regal Accum 3	0-80	nr	nr	nr	nr	5.60%	3 Years	3.00%	i	9% 4%
London Pacific 68934	Regal Accum 5	0-90	7.00%	na	6.50%	6.25%	5.30%	5 Years	3.00%	na	9% 0%
London Pacific 68934	Regal Accum 7	0-90	6.57%	na	nr	nr	nr	7 Years	3.00%	na	9% 4%

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Survey period: May 5, 2000; nr = product not reported for this issue.

Deferred Annuities Update

Table 25. cont'd. Single Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnw! Mthd	Surrender Fees Yr 1 Yr 7
National Guardian LIC 66583	Asset Guard	0-90	5.75%	2.00%	nr	5.00%	5.50%	2 Years	3.00%	I	7% 3%
National Guardian LIC 66583	SPDA	0-85	6.35%	2.00%	nr	5.00%	5.25%	2 Years	4.00%	I	7% 1%
Ohio National 89206	Choice Heritage	0-80	nr	nr	nr	nr	5.35%	1 Year	3.00%	I	6% 0%
Penn Mutual Life 67644	Diversifier II	0-85	nr	nr	nr	nr	4.06%	1 Year	4.00%	I	7% 1%
Penn Mutual Life 67644	Diversifier II	0-85	nr	nr	nr	nr	4.00%	3 Years	4.00%	I	7% 1%
Penn Mutual Life 67644	Diversifier II	0-85	nr	nr	nr	nr	4.00%	5 Years	4.00%	I	7% 1%
Penn Mutual Life 67644	Diversifier II	0-85	nr	nr	nr	nr	4.15%	7 Years	4.00%	I	7% 1%
Penn Mutual Life 67644	Tradewind	0-85	nr	nr	nr	nr	4.60%	1 Year	3.00%	I	9% 3%
Presidential 68039	Secure 6	0-85	7.00%	na	6.70%	nr	nr	6 Years	5.00%	I	7% 0%
Presidential 68039	SPDA	0-85	7.20%	na	7.05%	6.25%	6.00%	1 Year	5.00%	I	6% 2%
Principal Mutual 61271	SPDA+	0-95	6.40%	1.00%	6.00%	5.20%	4.30%	1 Year	3.00%	I	6% 2%
Providentmutual L&A 70750	SPDA III	0-75	6.95%	na	6.45%	nr	4.65%	2 Years	3.00%	P	3% 3%
Providentmutual L&A 70750	SPDA IV	0-75	6.25%	1.00%	5.75%	nr	3.95%	2 Years	3.00%	nr	5% 5%
Providentmutual L&A 70750	SPDA V	0-75	6.25%	1.00%	5.75%	nr	3.95%	1 Year	3.00%	P	7% 0%
Reliance Standard 68381	Apollo-MVA	0-85	nr	nr	nr	5.20%	nr	1 Year	3.00%	I	9% 2%
Reliance Standard 68381	Athena-MVA	0-85	nr	nr	nr	5.20%	nr	1 Year	3.00%	I	9% 2%
Security Benefit 68675	Sec. Premier I	0-90	6.00%	1.00%	6.00%	5.30%	5.25%	1 Year	3.50%	I	8% 0%
Security Benefit 68675	Sec. Premier III	0-90	5.50%	1.00%	5.00%	4.75%	5.00%	1 Years	3.50%	I	8% 0%
Security Benefit 68675	Secur. Prov. I	0-90	6.00%	2.00%	6.00%	5.30%	5.25%	1 Year	3.50%	I	9% 0%
Security Benefit 68675	Secur. Prov. III	0-90	5.75%	.75%	5.60%	4.75%	5.00%	1 Year	3.00%	I	7% 0%
continued...											

Survey period: May 5, 2000; nr = product not reported for this issue.

¹National Guardian LIC 66583 is not affiliated with The Guardian Life Ins. Co. of Amer., a/k/a The Guardian or Guardian Life.

Deferred Annuities Update

Table 25. cont'd. Single Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnw'l Mthd	Surrender Fees Yr 1 - Yr 7
Security Mutual/NY 68772	SPDA	0-80	6.00%	na	5.00%	5.00%	5.00%	1 Year	3.50%	I	5% 0%
Security Mutual/NY 68772	SPDA	0-80	6.25%	na	5.25%	5.25%	5.50%	3 Years	3.50%	I	5% 0%
Southwestern LIC 91391	Advantage 7	0-80	5.05%	1.00%	4.45%	4.00%	4.65%	1 Year	3.50%	I	8% 2%
Southwestern LIC 91391	Golden Bonus	0-85	4.75%	2.50%	4.50%	4.05%	4.70%	1 Year	3.00%	I	12% 9%
Southwestern LIC 91391	Income Prov. Adv.	0-80	4.95%	1.00%	4.70%	4.25%	4.90%	2 Years	4.00%	I	10% 7%
United Heritage Mut LIC 63983	Eagle 3	0-90	5.50%	1.50%	nr	nr	nr	1 Year	3.50%	P	8% 2%
United Heritage Mut LIC 63983	Eagle 8	0-90	5.25%	3.00%	nr	nr	nr	1 Year	3.50%	P	8% 2%
United of Omaha LIC 69868	Ultrannuity	0-89	6.70%	1.00%	6.05%	5.25%	5.05%	1 Years	3.00%	P	7% 0%
United of Omaha LIC 69868	Ultrannuity	0-89	6.55%	0.35%	5.90%	5.00%	4.80%	3 Years	3.00%	P	7% 0%
United Teacher Assoc. 63479	SPDA-8	0-90	5.00%	2.00%	nr	6.00%	6.00%	1 Years	3.50%	P	9% 3%
USG Annuity & Life 61247	Interest Builder	0-85	5.75%	7.00%	nr	5.00%	5.00%	1 Year	3.00%	I	10% 3%
USG Annuity & Life 61247	MVA Cornerstone	0-90	6.00%	4.00%	5.60%	4.45%	nr	1 Year	3.00%	I	9% 3%
USG Annuity & Life 61247	MVA 9	0-85	6.70%	1.00%	6.50%	5.20%	nr	1 Year	3.00%	I	9% 3%
USG Annuity & Life 61247	Sterling Plus	0-85	nr	nr	nr	5.00%	nr	1 Year	3.00%	P	7% 3%

Survey period: May 5, 2000; nr = product not reported for this issue.

Table 26. Single Premium Certificates of Annuity With Free Surrender Every Anniversary Date

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Full Rate	Nov. '99 Full Rate	May '98 Full Rate	Nov. '98 Full Rate	Rate Guar. Period	Penalty for Excess Withdrawals Taken Mid-Year (Non-Anniversary Date)	1	2	3	4	5	6	7	8	9
Columbia Universal 77720	Your Choice	unlimited	5.50%	nr	5.00%	4.50%	On going		2%	2%	2%	2%	2%	2%	2%	2%	2%
Commercial Union 52898	Select Rate 1	0-85	nr	nr	nr	3.25%	1 Year		6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician 10	0-99	nr	nr	nr	4.25%	1 Year		6%	6%	6%	6%	6%	6%	6%	6%	6%
Providentmutual L&A 70750	Asset Accumul.	0-75	5.85%	4.92%	nr	3.97%	1 Year		3%	3%	3%	3%	3%	3%	3%	2%	1%

Survey period: May 5, 2000; nr = product not reported for this issue.

Deferred Annuities Update

Table 27. Single Premium Certificates of Annuity Without Surrender Charges on Maturity Date

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00			Nov. '99			May '98			Penalty for Excess Withdrawals Made Prior to Contract Maturity									
			Full Rate	Rate	Yield	Full Rate	Rate	Yield	Full Rate	Rate	Yield	1	2	3	4	5	6	7	8	9	10
Columbia Univ. 77720	Your Choice	unlimited	nr			5.25%	nr	nr	all			2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Lincoln Benefit 65595	Tactician 10	0-80	6.40%			6.60%	5.70%	5.90%	10 Yrs			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician 10	0-80	6.35%			6.40%	5.50%	5.50%	9 Yrs			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician 10	0-80	6.30%			6.30%	5.40%	5.40%	8 Yrs			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician 10	0-80	6.25%			6.20%	5.30%	5.30%	7 Yrs			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician 10	0-80	6.20%			6.10%	5.15%	5.15%	6 Yrs			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician 10	0-80	6.15%			6.00%	5.00%	5.00%	5 Yrs			6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Lincoln Benefit 65595	Tactician Plus	0-90	6.70%			6.90%	6.00%	nr	10 Yrs			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Lincoln Benefit 65595	Tactician Plus	0-90	6.60%			6.50%	5.60%	nr	9 Yrs			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Lincoln Benefit 65595	Tactician Plus	0-90	6.50%			6.50%	5.60%	nr	8 Yrs			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Lincoln Benefit 65595	Tactician Plus	0-90	6.50%			6.50%	5.60%	nr	7 Yrs			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Lincoln Benefit 65595	Tactician Plus	0-90	7.00%			7.00%	6.10%	nr	6 Yrs			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Lincoln Benefit 65595	Tactician Plus	0-90	6.40%			6.25%	5.25%	nr	5 Yrs			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Lincoln Benefit 65595	Tactician Plus	0-90	5.00%			4.70%	4.25%	nr	1 Yr			8%	8%	8%	7%	6%	5%	4%	3%	2%	1%
Midland National 66044	Direct Guar	0-90	6.75%			nr	nr	nr	8 Yrs			8%	8%	8%	8%	8%	6%	4%	8%	-	-
Midland National 66044	Direct Guar	0-90	6.74%			nr	nr	nr	7 Yrs			8%	8%	8%	8%	8%	8%	6%	-	-	-
Midland National 66044	Direct Guar	0-90	6.70%			nr	nr	nr	6 Yrs			8%	8%	8%	8%	8%	8%	8%	-	-	-
Midland National 66044	Direct Guar	0-95	6.45%			nr	nr	nr	5 Yrs			8%	8%	8%	8%	8%	8%	0%	0%	0%	0%
United Heritage 63983	Sec Value 5	0-85	6.75%			nr	nr	nr	5 Yrs			7%	7%	6%	5%	4%	-	-	-	-	-
USG Annuity & Life 61247	Adv Plat 8	0-85	7.15%			nr	nr	nr	8 Yrs			5%	5%	5%	5%	5%	4%	3%	2%	-	-
USG Annuity & Life 61247	Adv Plat 5	0-85	6.80%			nr	nr	nr	5 Yrs			5%	5%	5%	5%	5%	-	-	-	-	-
USG Annuity & Life 61247	Multi Guar 10	0-85	7.65% 1st yr. 6.65% 2-10			nr	nr	nr	10 Yrs			7%	7%	7%	6%	5%	4%	3%	2%	1%	-
USG Annuity & Life 61247	Multi Guar 5	0-85	6.35%			nr	nr	nr	5 Yrs			7%	7%	7%	6%	5%	-	-	-	-	-
USG Annuity & Life 61247	Select Guar 8	0-85	7.60% 1st yr. 6.60% 2-8			nr	nr	nr	8 Yrs			9%	8%	7%	6%	5%	4%	3%	2%	-	-
USG Annuity & Life 61247	Select Guar 7	0-85	6.75%			nr	nr	nr	7 Yrs			7%	7%	7%	6%	5%	4%	3%	-	-	-
USG Annuity & Life 61247	Select Guar 6	0-85	7.25%			7.00%	9.00%	8.50%	6 Yrs			9%	8%	7%	6%	5%	4%	-	-	-	-
USG Annuity & Life 61247	Select Guar 5	0-85	7.00%			nr	nr	nr	5 Yrs			9%	8%	7%	6%	5%	-	-	-	-	-

Additional surrender charges (e.g. "Market Value Adjustment") may further reduce cash value on surrender before contract maturity.

Table 28. Flexible Premium Fixed Interest Deferred Annuities - With Bailout

Reporting	Policy	Issue	May '00 Base	Additional 1st Year	Nov. '99 Base	May '99 Base	Nov. '98 Base	Rate Guar.	Bail-out Escape	Guar.	Rnwl	Surrender Fees
AIG 66842	FPDA	0-80	nr	nr	6.00%	nr	5.05%	1 Year	1.00%	nr	I	7%
AIG 66842	Future Freedom	0-80	nr	nr	nr	5.05%	nr	1 Year	4.05%	3.00%	I	7%
Providentmutual L&A 70750	LTD	0-85	6.85%	1.00%	nr	nr	nr	1 Year	-	3.00%	P	10%
Prudential Life 68241	Dis. Classic	0-85	nr	nr	nr	5.50%	nr	1 Year	-	3.00%	I	6%
Security Mutual/NY 68772	FPA	0-80	5.00%	na	4.75%	4.75%	4.75%	1 Year	inoperable	4.50%	P	7%

Survey period: May 5, 2000; nr = not reported for this issue.

Survey period: May 5, 2000; nr = not reported for this issue.

Deferred Annuities Update

Table 29. Flexible Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees Yr 1	Yr 7
AIG Life 66842	FPDA	0-80	6.50	1.00%	6.00%	nr	5.05%	1 Year	3.00%	I	10%	4%
AIG Life 66842	Future Freedom	0-80	nr	nr	nr	5.05%	nr	1 Year	3.00%	I	7%	0%
American Heritage Life 60534	PFPDA	0-69	nr	nr	nr	nr	5.13%	-	4.00%	I	10%	2%
Canada Life 81060	Security 1 Plus	0-90	6.15%	1.25%	6.00%	5.00%	5.00%	1 Year	3.00%	N	7%	2%
Columbia Universal 77720	American	0-85	nr	nr	nr	6.25%	nr	contract	4.50%	P	8%	0%
Columbia Universal 77720	Flex Choice	0-85	6.70%	1.00%	6.40%	5.75%	nr	1 Year	4.50%	I	8%	0%
Columbia Universal 77720	FPDA II	0-65	nr	nr	nr	nr	5.50%	1 Year	4.50%	P	10%	4%
Commercial Union 62898	Alliance Flex 10	0-85	nr	nr	nr	nr	5.28%	1 month	3.50%	P	10%	4%
Commercial Union 62898	Alliance Plus	0-85	nr	nr	nr	nr	5.28%	1 month	3.50%	P	10%	4%
Conseco Annuity Assurance 60682	FPDA - 81	0-85	5.80%	3.00%	5.80%	5.05%	5.05%	1 Year	3.00%	nr	12%	7%
Delta Life & Annuity	FP Front Load	0-99	nr	nr	7.00%	nr	nr	1 Year	4.00%	nr	5%	0%
Fidelity & Guar. 63274	Fidelity	0-85	nr	nr	nr	nr	5.05%	1 Year	3.00%	-	5%	0%
Jackson National LIC 65056	Flex I	0-85	6.50%	na	6.25%	nr	4.75%	1 Year	3.00%	I	12%	3%
Jefferson Pilot LIC 67865	FPDA	0-75	nr	nr	nr	nr	4.85%	1 Year	3.50%	I	9%	5%
Jefferson Pilot LIC 68765	Flex 5	0-85	nr	nr	nr	nr	4.90%	1 Year	3.25%	-	7%	0%
Jefferson Pilot LIC 68765	Flex 6	0-85	nr	nr	nr	nr	4.85%	1 Year	3.25%	-	7%	0%
Jefferson Pilot LIC 67865	Flex 7	0-85	nr	nr	nr	nr	4.80%	1 Year	3.25%	na	7%	2%
Jefferson Pilot LIC 68765	Flex 8	0-85	nr	nr	nr	5.70%	5.15%	1 Year	3.25%	P	-	-
Keyport Life 64602	Key Accum	0-80	nr	nr	5.95%	4.85%	4.50%	1 Year	3.00%	I	7%	0%
Life/Southwest 65528	Flex 3000	0-80	6.25%	1.00%	6.00%	5.00%	4.50%	2 Years	3.00%	I	7%	1%
Life/Southwest 65528	Millennium	0-70	6.25%	2.00%	nr	nr	nr	2 Years	3.00%	I	10%	4%
Life/Southwest 65528	Premier + I	0-70	6.25%	1.00%	nr	nr	nr	2 Years	3.00%	nr	20%	12%
Continued...												

Survey period: May 5, 2000; nr = product not reported for this issue.

Deferred Annuities Update

Table 29. Cont'd. Flexible Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	Additional 1st Yr. Bonus	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnw/ Mthd	Surrender Fees Yr 1	Surrender Fees Yr 7
Lincoln Benefit 65595	Futurist Gold I	0-99	5.10%	1.00%	5.10%	5.10%	5.60%	1 Year	3.00%	P	7%	3%
London Pacific 68934	Future Guard II	no limit	nr	nr	6.25%	6.00%	5.50%	1 Year	3.00%	P	12%	8%
London Pacific 68934	Fut Guard 200	no limit	7.30%	na	nr	nr	nr	1 Year	3.00%	P	12%	8%
London Pacific 68934	Roy Guard 200	0-80	7.00%	na	nr	nr	nr	1 Year	3.00%	I	12%	8%
Midland National 66044	Direct Flex	0-85	5.40%	3.00%	nr	nr	nr	1 Year	3.00%	I	10%	6%
Midland National 66044	MNL 5	0-85	5.45%	8.00%	nr	nr	nr	1 Year	3.00%	I	10%	6%
Midland National 66044	MNL 6	0-85	5.60%	1.00%	nr	nr	nr	1 Year	3.00%	I	6%	0%
Midland National 66044	MNL 10	0-85	5.20%	3.00%	nr	nr	nr	1 Year	3.00%	I	9%	4%
National Guardian 66584	Super Flex	0-85	6.50%	2.00%	nr	5.00%	5.50%	2 Years	4.00%	nr	10%	4%
Ohio National 89206	Prime I	0-75	nr	nr	nr	nr	5.30%	-	-	I	8%	3%
Penn Mutual Life 67644	Divers. II	0-85	nr	nr	nr	nr	4.06%	1 Year	4.00%	I	7%	2.5%
Penn Mutual Life 67644	Divers. II	0-85	nr	nr	nr	nr	4.00%	3 Years	4.00%	I	7%	2.5%
Penn Mutual Life 67644	Divers. II	0-85	nr	nr	nr	nr	4.00%	5 Years	4.00%	I	7%	2.5%
Penn Mutual Life 67644	Divers. II	0-85	nr	nr	nr	nr	4.15%	7 Years	4.00%	I	7%	2.5%
Principal LIC 61271	FPDA	0-85	nr	nr	nr	4.90%	nr	1 Year	4.00%	I	7%	3%
Presidential 68039	No Load Flex	0-85	7.05%	na	6.90%	6.10%	5.85%	1 Cal. Yr.	5.00%	I	7%	4%
Presidential (q) 68039	TSA-Loan	0-85	7.05%	na	6.90%	6.10%	5.85%	1 Cal. Yr.	5.00%	I	7%	4%
Principal Mutual LIC 61271	FPDA	0-85	6.10%	na	5.70%	nr	4.30%	1 Year	4.00%	I	7%	3%
Providentmutual 70750	LTD	0-85	nr	nr	6.35%	nr	4.55%	1 Year	3.00%	I	10%	3%
Prudential 68241	FIP	0-85	nr	nr	nr	5.00%	nr	1 Year	3.00%	I	6%	0%
continued...												

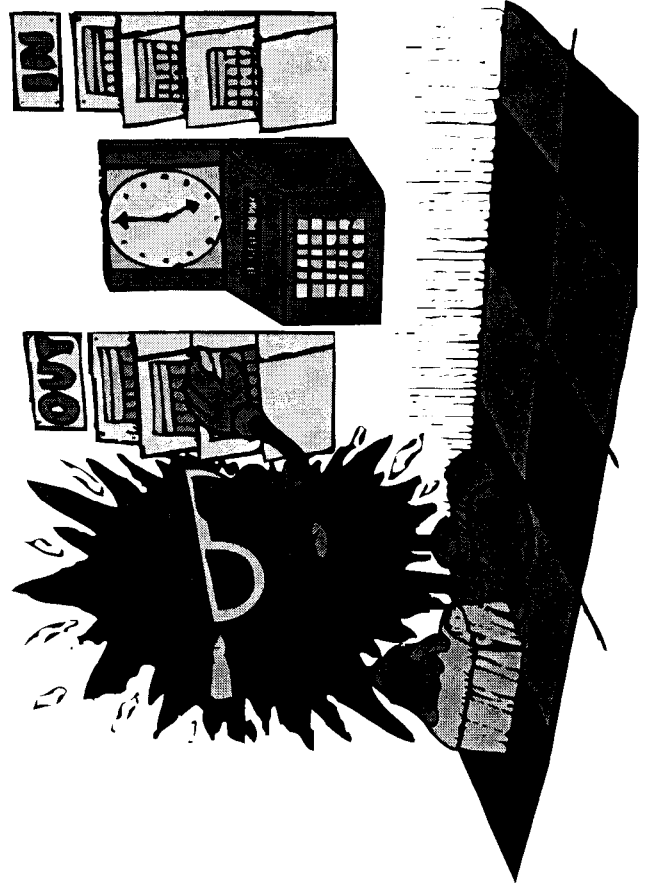
Survey period: May 5, 2000; nr = product not reported for this issue.

Deferred Annuities Update

Table 29. Cont'd. Flexible Premium Fixed Interest Deferred Annuities - Without Bailout

Reporting Companies (NAIC #)	Policy Name	Issue Ages	May '00 Base Rate	1st Yr. Bonus Amount	Nov. '99 Base Rate	May '99 Base Rate	Nov. '98 Base Rate	Rate Guar. Period	Guar. Rate	Rnwl Mthd	Surrender Fees Yr 1	Surrender Fees Yr 7
Security Benefit 68675	Secur. Mark	0-75	5.75%	na	5.25%	5.00%	5.00%	na	3.50%	I	8%	2%
Southwestern LIC 91391	Flex-Rite	0-75	5.65%	na	5.65%	5.65%	5.75%	na	4.00%	P	7%	2%
United Heritage 63983	Heritage	0-100	5.35%	.65%	nr	nr	nr	1 Year	3.50%	P	8%	2%
United Heritage 63983	Originator	0-80	5.00%	na	nr	nr	nr	1 Year	3.50%	P	0%	0%
United of Omaha 69868	Bonus Flex.	0-85	6.00%	1.00%	5.65%	4.50%	4.25%	1 Year	4.00%	nr	10%	0%
United Teachers 63479	Flex-Bonus	0-75	7.25%	5.00%	6.25%	6.25%	6.25%	1 Year	4.00%	P	30%	8%
USG Annuity & Life 61247	Flex Builder	0-85	6.00%	3.00%	5.75%	5.25%	nr	1 Year	3.00%	I	12%	7%
USG Annuity & Life 61247	Flex 9	0-85	6.15%	2.00%	nr	nr	4.25%	1 Year	3.00%	I	9%	3%
USG Annuity & Life 61247	Flex 15	0-70	5.90	2.00%	nr	nr	nr	1 Year	3.00%	I	22%	13%

Survey period: May 5, 2000; nr = product not reported for this issue.



Summertime

Split Annuities Update



plit annuities (also called Combination annuities) are essentially a hybrid product combining the features of a Certificate of Annuity (Table 23) and a Period Certain immediate annuity (Table 1). These annuities provide immediate cash-flow and a guarantee that the initial purchase amount is returned at the end of a specified period of time (in Table 25 below, at the end of 5 years and 7 years).

The figures in Table 25 are based on an investment of \$100,000. Column headed "Annual Interest Rate" indicates the rate earned on the deferred portion of the split annuity for the life of the contract (either five or seven years as illustrated). "Deferred Annuity Premium" column gives the amount of the original investment that is allocated to the deferred annuity portion of the contract. This is the amount set aside for the deferred

annuity to grow back to the full amount of the original investment. Column headed "Monthly Income Amount" lists the monthly income which is generated by the immediate annuity portion of the contract and payable each month until the contract matures (either 5 or 7 years). "Income Annuity Premium" column reports the amount of the original investment which is allocated to the immediate annuity portion of the contract.

Table 30. Split ("Combination") Immediate and Deferred Annuities

Reporting Companies (NAIC #)	Policy Name	Issue Ages	5 Year Maturity Rates				7 Year Maturity Rates			
			Deferred Annuity Premium	Annual Interest Rate	Income Annuity Premium	Monthly Income Amount	Deferred Annuity Premium	Annual Interest Rate	Income Annuity Premium	Monthly Income Amount
Columbia Universal 77720	Guaran. 5 & SPIA	0-85	\$70,144	7.35%	\$29,856	\$569.83	\$60,868	7.35%	\$39,132	\$562.84
Lincoln Benefit 65595	Saver's Choice	0-99	\$79,623	4.44%	\$20,376	\$369.83	na	na	na	na
London Pacific 68934	Split Annuity	0-90	\$71,299	7.00%	\$28,701	\$541.10	\$64,061	6.57%	\$35,939	\$514.18
Midland National 66044	Direct Guarantee/ Direct Income	0-95	\$73,169	6.45%	\$26,830	\$516.72	\$63,335	6.74%	\$36,664	\$532.83
Presidential (nq) 68039	Combi-annuity	0-85	\$72,646	6.60%	\$27,353	\$514.98	na	na	na	na
United Heritage 63983	Secure Value 5	0-85	\$72,138	6.75%	\$27,862	\$517.07	\$67,342	6.75%	\$32,658	\$460.62
USG Annuity & Life 61247	Select 5	0-90	\$66,634	7.00%	\$33,366	\$543.44	\$63,303	6.75%	\$36,697	\$529.37
Survey period: May 5, 2000										

Survey period: May 5, 2000

Equity Indexed Annuities Update

Equity index annuities ('EIAs') are generating widespread interest.

This new kind of annuity combines the safety of traditional fixed ('no risk to principal') annuities with potential for higher yields afforded by investing in stock index options. In an EIA, interest earnings are tied to stock market performance even while return of principal is guaranteed when the stock market declines.

Guaranteed Interest

As a fixed annuity an EIA offers a guaranteed non-forfeitable minimum rate of return each year. These interest rates range from 3% to 5% and are usually credited to a portion, typically 90%, of the initial premium. The benefit of a minimum return is that even if the stock market is down for the entire life of a 5 year EIA, the contract would still provide about 5% in total return (that is, 90% of initial premium plus 5 years times 3% a year approximately equals 105%).

Index-linked Growth

The glitter of an EIA, however, isn't derived from its promise of guaranteed interest but from the potential to gain *excess earnings* through a link to a stock market indicator, typically the S&P 500 Index. Why the S&P 500 Index? Because it represents over 70% of the U.S. stock market's equity capitalization. The index, however, does not include reinvested dividends.

When the EIA term ends (usually after 5 or 7 years), the account is credited the *greater of* the compounded Guaranteed Interest or the excess earnings attributable to Index-linked Growth. The latter is

usually calculated on 100% of premium (whereas minimum guaranteed account values often are based on 90% of premium).

How to Compare EIAs

The biggest difficulty in comparing EIAs stems from the myriad ways companies credit interest earnings and index-linked returns. There are differences in how index calculation are made, how gains are counted, and in related features and benefits. It seems that no two EIAs are designed alike.

Nevertheless, a few generalities do exist. All EIAs invest the majority of their premium dollars in bonds and government securities. The rest is used to purchase call options and employ various hedging strategies on the underlying S&P index. Variations in these strategies determine how competing EIAs are structured. To further protect themselves from losses in their option strategies, companies also impose "caps," "participation rates," and averaging methods. These limit the gains a company is required to pass through to its EIA account holders.

Caps

A "cap" is the maximum return which is credited for any period regardless of the underlying S&P 500 Index performance. Thus, if the stock market returns 30% in a particular year but the annuity has a cap of 14%, the maximum amount credited to the EIA for that year is 14%. (This assumes a 100% *participation rate*, explained below.) Caps are generally employed in EIAs which use the Annual Reset method for calculating earnings (see Section #2 below).

Participation Rates

"Participation rate" refers to what net percent of the gross increase in the S&P 500 Index is credited to the EIA. For example, if the S&P 500's gross increase was 35% for the period and the EIA participation rate is 85%, then the net interest credited to the EIA for that period will be 29.7% (35% times .85). Participation rates vary from 75% to 110%. Some insurers guarantee the participation rate for only one year at a time, others guarantee it for the entire term of five to ten years.

Comparing participation rates alone is not a sufficient measure for choosing which EIA to purchase. An 85% participation rate in one EIA can produce greater net returns than a 110% participation rate in another, and vice versa.

Yield Spread

Another feature which limits returns is called a "yield spread." This is a fee (usually from 3.00% to 4.50%) which is deducted from the actual increase in the S&P index. Such contracts often have a 100% participation rate. However, the effect could be the same as having a lower participation rate and no yield offset.

Three main types of index annuities and how they calculate earnings

There are three basic methods by which EIAs calculate their index-linked returns. These are the: (1) point-to-point method; (2) annual reset method; and (3) high point (look back) method, sometimes called, high-water mark method.

Equity Indexed Annuities Update

1. Long Term Point-to-Point Methods

These are perhaps the easiest crediting methods to understand. As the name implies, there are usually only two days in this index calculation method: the starting point day and the ending point day. The gain is simply the difference between the index level when the EIA is issued and the level it reaches at the end of the term. For example, if the S&P Index was 400 on the date of issue and 700 on the final day in the measuring period (say, 5 or 7 years later), the gross return would be 75%. (Subtract 400 from 700, then divide the 300 gain by 400, to arrive at 75%.) That number would be multiplied by the participation rate to determine the index gain. If the participation rate is less than 100%, net credited interest will be less than 75%.

In this version of the point-to-point method, if on the last day, the index value was *below* the starting point value, the earnings would be zero and the guaranteed interest value for the term would be paid. That would be true even if the market had traded significantly higher anytime during the prior 5 or 7 year term. To get around this problem, some EIAs combine each weekly or monthly index value over the course of the last contract year to arrive at an 'average' ending point value for determining gains (see *Averaging* below). However, if during most of the contract's final year the S&P traded below the starting point value, then even *averaging* won't keep the gain from being measured a zero.

2. Annual Reset (Annual Point-to-Point) Methods

In each year that the S&P 500 Index goes up, this EIA locks in a gain which can never be lost during a later market downturn. The 'starting point' index value is reset at the beginning of each year for gain recognition. And if the market goes down, the negative index movement for that year is treated as a zero gain (and no premium dollars are ever lost). These methods recognize gains by the year and combine them for a 5- or 7-year total.

The annual reset method counts gains even if the market is recovering from previous declines. For example, if the stock market registers a loss at the end of the first year, no index increase is credited (for that year, neither will there be any loss in account value.) Because the starting point for the second year is now reset at the new lower first-year end-point value, any recovery from that lower level will be credited as gain in future years.

In this method, each year's S&P Index gain is treated much like a traditional fixed annuity's interest is treated—it is credited annually and earnings are accumulated on a compounded basis. Most annual reset EIAs, however, feature a cap (usually from 12% to 15%) which limits the annual gain which may be credited to an account in any one year.

3. High Point Look Back (High-Water Anniversary Mark) Methods

Here, the gain is the difference between the highest point an index reached (usually measured on each

of the policy's 5 or 7 anniversary dates) and the starting point, which is the index value on the date the EIA was issued. (The starting point is not reset each year.) These methods lock in the highest S&P Index level attained on the measurement dates by 'looking back' over the term. They credit gains based on the highest water-mark anniversary value and the participation rate, if applicable.

High point EIAs typically feature participation rates of about 70%, but not caps. Because the high-point return may only be calculated once during the term, there may not be compounding of interest.

Market Volatility and Averaging Returns

Calculating returns by 'averaging' can be an effective way to reduce the risk of market volatility. Averaging will smooth out the peaks and troughs in the performing index. For example, a high point averaging EIA will sum the highest index values in each of its 7 years and then divide that sum by 7 to arrive at a final ('averaged') high point value. This averaged gain is considered the total return in the contract.

Averaging may dampen S&P gains over time. Consider that if the stock market gained 1% per month for a year, the total compound gain would be 12.67% at the end of the year. (An 80% participation rate would still provide a return above 10%.) But, if a monthly averaged return was employed, the annual increase would only be 6.75%! Policies which apply averaging often show lower overall gains than either the annual reset or high-water mark EIAs.

Equity Indexed Annuities Update

An averaging EIA is more likely to achieve a consistent rate of return with a somewhat higher degree of probability than an unaveraged contract. Conversely, the non-averaged high point and long term point-to-point methods offer a greater opportunity to high returns —provided, of course, that the stock market continues its upward trend.

Market Volatility and Annual Reset EIAs

The unaveraged annual-reset EIA may offer the best protection against market volatility with the best chance at overall profits.

That's because the starting point is reset every year, providing multiple index 'entry' points. By contrast, the long-term point-to-point and the high-water mark anniversary look-back methods use a total return approach that has only one start point established at the time of contract issue. Consequently, with these methods choosing the 'best' time to start the annuity is more important. In all cases, an EIA's cap and participation rate will greatly influence its net results.

Which EIA Method Performs Best?

Ignoring the significant effects of caps, participation rates, and averaging, it may generally be hypothesized that the High Point (High Water Mark) Look Back and Point-to-Point methods should outperform the capped Annual Reset methods if the stock market moves in a steady uptrend during the term in question. By contrast, the Annual Reset methods should excel during long periods of

choppy or trendless market activity.

Liquidity

Although specific details vary, a few EIAs offer liquidity similar to traditional fixed deferred annuities. There is a provision for an annual withdrawal of 10% (of account value) free of surrender fees.

Contracts with higher participation rates, however, may limit annual penalty-free withdrawals only to the minimum guaranteed value of the policy (not permitting access to any of the earnings or growth during the term of the contract).

Other EIAs employ a vesting schedule to provide limited access to a portion of interest earnings.

In general, EIAs are not designed for maximum liquidity during the accumulation phase. Withdrawals may have an adverse effect on the crediting of interest. Some contracts forfeit any earnings that otherwise would have been attributable to the withdrawn funds. For example, if funds are withdrawn during the 4th policy year and earnings are credited only at the end of the complete term, no earnings will be attributed to the withdrawn funds even though the money was in the contract for 4 years. Some companies misleadingly advertise "no traditional surrender charge" or "100% access to your money." But in that case the only gain is the minimum guaranteed non-forfeiture value, which may be from 3% to 5% a year credited on 90% or 100% of the principal. A small gain, indeed.

Conclusion

Equity Index Annuities are gen-

erating a wave of interest because they combine features of traditional fixed deferred annuities and variable annuities. Their appeal is that growth is tied to the stock market's performance while guaranteeing return of principal even if the market declines.

Because of the great variety in how returns are calculated, it is more important to understand how *all the elements* of a particular EIA contract collectively affect the potential for achieving gains rather than to simply compare the individual features of competing EIAs.

Some of the limitations of EIAs are restrictions to growth imposed by caps, participation rates and harsh crediting methods. Keep in mind that surrender charges also apply, and full liquidity is usually available only in a 30 day window period when the contract reaches maturity.

An EIA should *not* be expected to return the same as an equity-based mutual fund or variable annuity during a period of large stock market gains.

A final cautionary note is that the S&P index only accounts for increases or decreases in the price of stocks in the index; it does not factor in the value of dividends or the compounded reinvestment of dividends. This is significant because historically the long-term returns that are reported for stocks typically include amounts attributable to dividend reinvestment. As a result, the return achieved by an equity index annuity that is based on the S&P index could be substantially less than the return obtained by making a direct investment in the stocks that make up the index.

Equity Indexed Annuities Update

Table 31. Single Premium Equity Indexed Annuities

Reporting Companies	Policy Name	Term	Index Structure	When Potential Gains are Recognized, locked in and credited	Guar. Base/ Guar. Rate	Participation Rate	Cap	Yield Spread (admin. fee)
Conseco Annuity Assurance	60682 SPDA 500	8 yrs	12 Mo. Avg.	Annually	90%/3%	90%	none	none
Jackson National	65056 ELI Multi-Index	9 yrs	Point to Point	End of Term	100%/3%	65%	none	none
Jackson National	65056 ELI Multi-Index	7 yrs	Point to Point	End of Term	100%/3%	60%	none	none
Jackson National	65056 ELI Multi-Index	5 yrs	Point to Point	End of Term	100%/3%	55%	none	none
Jackson National	65056 ELI Multi-Index	3 yrs	Point to Point	End of Term	100%/3%	45%	none	none
Jackson National	65056 ELI Multi-Index	1 yrs	Point to Point	End of Term	100%/3%	25%	none	none
Jackson National	65056 Elite 90	9 yrs	Point to Point	End of Term	100%/3%	95%	none	none
Jackson National	65056 Elite 500	9 yrs	Point to Point	End of Term	100%/3%	85%	none	none
Jackson National	65056 Elite 500	7 yrs	Point to Point	End of Term	100%/3%	75%	none	none
Life Ins. Co. of Southwest	65528 Secure-S	6 yrs	Annual Reset	Annually	90%/3%	90%	10%/yr	none
Lincoln Benefit	65595 Savers's Index I	7 yrs	Annual Reset	Annually	90%/3%	70%	14%/yr	none
Lincoln Benefit	65595 Saver's Index II	7 yrs	Annual Reset	Daily Average	90%/3%	90%	none	none
Midland National Life	66044 Direct 10	9 yrs	Annual Reset	Daily Average	80%/3%	100%	none	2.10%
Midland National Life	66044 Direct 16	14 yrs	Annual Reset	Daily Average	70%/3%	100%	none	1.55%
Midland National Life	66044 Direct Bonus	9 yrs	Annual Reset	Daily Average	85%/3%	100%	none	2.30%
USG Annuity & Life	61247 Advantage Index	9 yrs	Point to Point	End of Term	100%/3%	100%	none	none
USG Annuity & Life	61247 Generation Pro	9 yrs	Point to Point	End of Term	90%/3%	100%	none	1.25%
USG Annuity & Life	61247 Heritage	1 yr	Annual Reset	Annually	100%/3%	100%	none	none
USG Annuity & Life	61247 Heritage	9 yrs	Point to Point	End of Term	90%/3%	100%	none	1.70%

Survey period: May 5, 2000

Life & Health Guaranty Associations

Most states have guaranty funds to help pay the claims of financially impaired insurance companies. State laws specify the lines of insurance covered by these funds and the dollar limits payable. Coverage is usually for individual policyholders and their beneficiaries and not for values held in unallocated group

contracts. Most states also restrict insurance agents and companies from advertising the funds' availability.

There are many issues, too numerous to describe here, which determine the type and extent of coverage available. You are advised

to consult your state insurance department for details about any policy you consider purchasing. Another source of information is the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA, 13873 Park Center Road, Suite 329, Herndon, VA 22071). NOLHGA provided this information:

State	Max. aggregate benefits for all lines of insurance	Max. death benefit with respect to any one life	Max. liability for cash or withdrawal value of life insurance policy	Max. liability for present value of an annuity contract	Insurance Commissioners' Phone Numbers
Alabama	\$300,000	-	\$100,000	\$100,000	(334) 269-3550
Alaska	\$300,000	\$300,000	\$100,000	\$100,000	(907) 465-2515
Arizona	\$300,000	-	\$100,000	\$100,000	(602) 912-8400
Arkansas	\$300,000	\$100,000	\$100,000	\$100,000	(501) 371-2600
California	\$250,000	\$250,000	\$100,000	\$100,000	(916) 492-3500
Colorado	\$300,000	\$300,000	\$100,000	\$100,000	(303) 894-7499
Connecticut	\$300,000	\$300,000	\$100,000	\$100,000	(860) 297-3802
Delaware	\$300,000	\$300,000	\$100,000	\$100,000	(302) 739-4251
Dist. of Col.	\$300,000	\$300,000	\$100,000	\$100,000	(202) 727-8000
Florida	\$300,000	-	\$100,000	\$100,000	(850) 922-3101
Georgia	\$300,000	-	\$100,000	\$100,000	(404) 656-2056
Hawaii	\$300,000	\$300,000	\$100,000	\$100,000	(808) 586-2790
Idaho	\$300,000	-	\$100,000	\$100,000	(208) 334-4250
Illinois	\$300,000	\$300,000	\$100,000	\$100,000	(217) 785-0116
Indiana	\$300,000	-	\$100,000	\$100,000	(317) 232-2385
Iowa	\$300,000	-	\$100,000	\$100,000	(515) 281-5705
Kansas	\$300,000	\$300,000	\$100,000	\$100,000	(785) 296-7081
Kentucky	-	\$300,000	\$100,000	\$100,000	(502) 564-6027
Louisiana	\$300,000	\$300,000	\$100,000	\$100,000	(225) 342-5423
Maine	\$300,000	-	\$100,000	\$100,000	(207) 624-8475
Maryland	all contractual obligations				(410) 468-2090
Massachusetts	\$300,000	\$300,000	\$100,000	\$100,000	(617) 521-7794
Michigan	\$300,000	\$300,000	\$100,000	\$100,000	(517) 373-9273
Minnesota	\$300,000	\$300,000	\$100,000	\$100,000	(651) 296-6848
Mississippi	\$300,000	\$300,000	\$100,000	\$100,000	(601) 359-3569
Missouri	\$300,000	\$300,000	\$100,000	\$100,000	(573) 751-4126
Montana	-	\$300,000	-	-	(406) 444-2040
Nebraska	\$300,000	\$300,000	\$100,000	\$100,000	(402) 471-2201
Nevada	\$300,000	\$300,000	\$100,000	\$100,000	(775) 687-4270
New Hampshire	\$300,000	-	\$100,000	\$100,000	(603) 271-2261
New Jersey	\$500,000	\$500,000	\$100,000	\$500,000	(609) 292-5360
New Mexico	\$300,000	-	\$100,000	\$100,000	(505) 827-4601
New York	\$500,000	-	-	-	(212) 480-2289
No. Carolina	\$300,000	-	-	-	(919) 733-7349
North Dakota	\$300,000	\$300,000	\$100,000	\$100,000	(701) 328-2440
Ohio	\$300,000	\$300,000	\$100,000	\$100,000	(614) 644-2658
Oklahoma	\$300,000	\$300,000	\$100,000	\$300,000	(405) 521-2828
Oregon	\$300,000	\$300,000	\$100,000	\$100,000	(503) 947-7980
Pennsylvania	\$300,000	\$300,000	\$100,000	\$100,000	(717) 783-0442
Puerto Rico	-	\$300,000	-	-	(787) 722-8686
Rhode Island	\$300,000	\$300,000	\$100,000	\$100,000	(401) 222-2223
So. Carolina	\$300,000	-	-	-	(803) 737-6160
South Dakota	\$300,000	\$300,000	\$100,000	\$100,000	(605) 773-3563
Tennessee	\$300,000	\$300,000	\$100,000	\$100,000	(615) 741-2241
Texas	-	\$300,000	\$100,000	\$100,000	(512) 463-6464
Utah	\$300,000	\$300,000	\$100,000	\$100,000	(801) 538-3800
Vermont	\$300,000	\$300,000	\$100,000	\$100,000	(802) 828-3301
Virginia	\$300,000	\$300,000	\$100,000	\$100,000	(804) 371-9741
Washington	\$500,000	\$500,000	-	\$500,000	(360) 753-7301
West Virginia	\$300,000	\$300,000	\$100,000	\$100,000	(304) 558-3394
Wisconsin	\$300,000	-	-	-	(608) 267-1233
Wyoming	\$300,000	\$300,000	\$100,000	\$100,000	(307) 777-7401

Insurance Company Ratings

Annuities which are invested in an insurance company's General Account are as secure as the stability of that carrier's investment portfolio. Annuities are not federally insured (eg., FDIC). They will probably be covered by the State Guaranty Funds but that may fall short of the total amount in an account if it holds more than the fund's limits of coverage.

One way to tilt the odds in your favor is by investing with companies which get high grades from several rating agencies. These rating opinions are based on factors such as ability to pay claims, quality of investments, and ability to withstand economic downturns. The five rating services presented here are A.M. Best's, Standard & Poor's, Moody's, Duff & Phelps, and Weiss Research. Agencies' assessments of the same company may differ. Analysts may disagree, for instance, about how much is too much when it comes to junk bonds, bad mortgages or foreclosed real estate. Keep in mind, too,

that most insurance companies farm out some of the risk of their policies to other companies through reinsurance agreements. This is especially true for smaller companies (with assets less than \$1 Billion), where reinsurance ceded can be as high as 60% to 80%. When this is the case, a company's rating may not be valid. However, for larger companies, reinsurance only averages about 4% of assets. You may also call or write to your state's department of insurance for information on the solvency of an insurer doing business in your state.

from S&P indicates the company is very close to liquidation. In the case of Weiss, an "A+" is the highest rating and assigned to only a few companies. For A.M. Best, an "A+" represents their second highest grade, which was assigned to more than 200 of the companies Best rates. For S&P and Duff & Phelps, an "A+" is the 5th rank from the top and therefore denotes a much weaker standing than it does for either Weiss or Best.

ALPHABETICAL RATINGS

The five rating agencies assign **alphabetical** grades (such as AAA thru F) to the insurance companies they rate. These alphabetical ratings may be confusing when making comparisons. For instance, a company rated "C" by Weiss has merely received an "average" grade. But a "C"

NUMERICAL RANKINGS

To level the alphabetical rating field we include a **NUMERICAL RANK** in brackets next to each letter grade. Now you can easily judge the value of an alphabetical grade by its position in that agency's **DISTRIBUTION OF RATINGS**. This numerical ranking will help you to recognize that the same letter grade may carry very different relative value with the different rating agencies.

Distribution of Insurance Company Ratings

A.M. Best			S & P			Moody's			Duff & Phelps			Weiss Ratings		
Grade	Rank	# Cos. 910	Grade	Rank	# Cos. 363	Grade	Rank	# Cos. 201	Grade	Rank	# Cos. 231	Grade	Rank	# Cos. 1235
A++	[1]	47	AAA	[1]	47	Aaa	[1]	7	AAA	[1]	62	A+	[1]	10
A+	[2]	160	AA+	[2]	59	Aa1	[2]	10	AA+	[2]	37	A	[2]	13
A	[3]	227	AA	[3]	68	Aa2	[3]	49	AA	[3]	54	A-	[3]	34
A-	[4]	177	AA-	[4]	65	Aa3	[4]	49	AA-	[4]	45	B+	[4]	66
B++	[5]	87	A+	[5]	52	A1	[5]	34	A+	[5]	20	B	[5]	162
B+	[6]	122	A	[6]	31	A2	[6]	14	A	[6]	7	B-	[6]	127
B	[7]	44	A-	[7]	16	A3	[7]	14	A-	[7]	1	C+	[7]	130
B-	[8]	19	BBB+	[8]	20	Baa1	[8]	19	BBB+	[8]	na	C	[8]	228
C++	[9]	8	BBB	[9]	1	Baa2	[9]	3	BBB	[9]	1	C-	[9]	132
C+	[10]	11	BBB-	[10]	na	Baa3	[10]	1	BBB-	[10]	na	D+	[10]	106
C	[11]	6	BB+	[11]	2	Ba1	[11]	na	BB+	[11]	2	D	[11]	121
C-	[12]	2	BB	[12]	na	Ba2	[12]	1	BB	[12]	2	D-	[12]	39
D	[13]	na	BB-	[13]	1	Ba3	[13]	na	BB-	[13]	na	E+	[13]	36
E	[14]	na	B+	[14]	1	B1	[14]	na	B+	[14]	na	E	[14]	30
F	[15]	na	B	[15]	na	B2	[15]	na	B	[15]	na	E-	[15]	1
as of 8/98			B-	[16]	na	B3	[16]	na	B-	[16]	na	F	[16]	na
			CCC	[17]	na	Caa	[17]	na	CCC+	[17]	na	U	[17]	na
			R	[18]	na	Ca	[18]	na	CCC	[18]	na	as of 8/98		
			as of 8/98			C	[19]	na	CCC-	[19]	na			
						as of 8/98			as of 8/98					

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
Acacia Life Ins. Co.	60038	DC	\$ 0.9B	A [3]		AA [3]		-		withdrawn		B [5]	
Acacia Nat'l Life	85685	VA	\$ 0.6B	A [3]		AA [3]		-		withdrawn		B- [6]	▲8/99
Aetna LI & Annuity Co.	86509	CT	\$ 36.8B	A+ [2]	▼6/95	AA- [4]	▼7/96	Aa3 [4]	▼7/97	AA [3]		C+ [7]	
Aetna LIC	60054	CT	\$ 37.2B	A [3]		A+ [5]	▼7/97	A1 [5]	▼7/97	AA- [4]	▼7/95	C+ [7]	▲6/98
AID Assoc. Lutherans	56014	WI	\$ 17.9B	A++ [1]		AA+ [2]	▲12/97	Aa2 [3]		AA+ [2]	▼3/99	-	
AIG LIC	66842	DE	\$ 6.7B	A++ [1]	▲3/99	AAA [1]		Aaa [1]		-		B- [6]	
Alexander Hamilton LIC Amer.	94064	MI	\$ 5.5B	A++ [1]	▲8/96	AAA [1]	▲10/95	Aa3 [4]	▲3/96	AAA [1]	▲10/95	B+ [4]	▲5/98
Allstate LIC	60186	IL	\$ 27.5B	A+ [2]	▲3/96	AA+ [2]		Aa2 [3]	▲8/97	-		B+ [4]	▲7/97
Allstate LIC/NY	70874	NY	\$ 2.0B	A+ [2]		AA+ [2]		Aa2 [3]	▲8/97	-		B+ [4]	▲8/97
American Centurian LAC	77798	NY	\$ 0.2B	A+ [2]	▲6/95	-		-		AAA [1]		C+ [7]	▼8/99
American Enterprise LIC	94234	IN	\$ 4.7B	A+ [2]		-		Aa2 [3]		AAA [1]		B [5]	▲11/94
American Family LIC	60399	WI	\$ 2.1B	A+ [2]		withdrawn		-		-		A+ [1]	
American General Annuity Ins. Co.	70432	TX	\$ 10.7B	A [3]		AA- [4]	▲9/96	Aa3 [4]	▲4/98	AA+ [2]	▼8/99	B [5]	▲5/97
American General Life & Acc	66672	TN	\$ 8.8B	A+ [2]		AA+ [2]	▼6/97	Aa3 [4]		AAA [1]		B [5]	▲8/99
American General LIC	60488	TX	\$ 7.9B	A+ [2]		AA+ [2]		Aa3 [4]		AA+ [2]	▼8/99	B+ [4]	▼3/99
American Heritage LIC	60534	FL	\$ 1.2B	A+ [2]	▲7/98	AA+ [2]	▲11/99	Aa3 [4]	▲11/99	-		A- [3]	
American Int'l Life Assur Co. NY	60607	NY	\$ 5.8B	A++ [1]	▲3/99	AAA [1]		Aaa [1]		-		B [5]	
American Investors LIC	60631	KS	\$ 2.5B	A- [4]	▼9/97	A[6]		Baa1 [8]	▲5/98	withdrawn		C [8]	

Continued ...

Legend: Trend is the direction and date of most recent change. ▲ = date upgraded; ▼ = date downgraded.

- ("dash" in rating columns) — Company may not be rated by that agency. Insurance companies must pay up to \$60,000 a year to be rated by some of the rating agencies. Many insurers, therefore, decline to be graded. While Weiss Research, Inc. does not charge insurers to be rated, it only grades U.S.-domiciled companies, not Canadian insurance companies.

Company Legal Name NAIC# — Insurance companies are listed according to legally registered names. Many companies are part of a larger group affiliation, which may include subsidiaries with similar-sounding names. These affiliates may not be legally bound to cover each others' claims and each separate entity may have a different credit quality rating. The 5-digit number

following each company name is the National Association of Insurance Commissioners ("NAIC") assigned number to identify that company or subsidiary. Canadian carriers are not assigned NAIC numbers.

State Dom. — State of Domicile refers to the state which has primary regulatory responsibility for the insurance company listed. It may differ from the location of the company's corporate headquarters.

Admitted Assets — is the dollar value of all assets reported in a company's statutory annual statement and admitted or accepted by state regulators. Includes invested assets plus amounts receivable and separate account assets.

C&S / Assets (Ratio of Capital & Surplus to Assets). This compares a company's net worth to its assets. The ratio indicates the degree to which a company has leveraged its capital and surplus. The normal industry range for C&S/Assets is from 5% to 10% (the higher, the better). This ratio will depend on such factors as the types of risk and products with which a company is involved.

Disclaimer: While we attempt to list the ratings currently in effect, we are not to be held liable for the reliability of this information. You are strongly advised to directly contact the rating agencies and insurance companies for verification of ratings and additional details.

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
American Life Insurance Co.	60690	DE	\$ 15.4B	-		AAA [1]		Aaa [1]		-		B+ [4]	▲2/98
American Life Insurance Co. / NY	60704	NY	\$ 1.3B	A+ [2]		AA+ [2]	▲12/97	-		AA [3]		B [5]	
American Maturity	81213	CT	\$ 0.2B	A+ [2]	▲9/94	AA [3]	▼9/96	-		AA+ [2]		B [5]	
American Mayflower LIC/NY	60712	NY	\$ 0.9B	A+ [2]		AA [3]	▲12/96	Aa2 [3]	▲4/97	AA [3]		B [5]	▲3/99
American National Ins.Co.	60739	TX	\$ 6.9B	A++ [1]		AA+ [2]		Aa2 [3]		-		A- [3]	▲3/98
American Partners LIC	93653	AZ	\$ 0.2B	A+ [2]		-		-		AAA [1]		C [8]	
American Skandia Life Assurance	86630	CT	\$ 12.3B	A- [4]		A [6]	▲6/97	-		AA- [4]		D+ [10]	▲7/97
American United LIC	60895	IN	\$ 7.6B	A+ [2]		AA [3]	▲10/96	A1 [5]		AA [3]	▼10/96	B [5]	
Ameritas LI Corp.	61301	NE	\$ 1.9B	A+ [2]		AA [3]		A1 [5]		-		A- [3]	▼8/98
AmerUs LIC	61689	IA	\$ 4.0B	A [3]		BBB [9]		Baa1 [8]	▼12/99	withdrawn		C+ [7]	
Anchor National LIC	60941	AZ	\$ 12.4B	A++ [1]	▲3/99	AAA [1]	▲8/99	Aaa [1]	▲8/99	AA [3]		C+ [7]	▲8/97
Aurora National LAC	61182	CA	\$ 4.6B	-		-		Baa1 [8]		A+ [5]	▲7/95	11 (D)	
AUSA LIC	70688	NY	\$ 10.0B	A [3]	▲6/94	AAA [1]	▲10/96	Aa3 [4]		AA+ [2]		B- [6]	▲11/99
Bankers Life/Cas. Co.	61263	IL	\$ 4.0B	A [3]	▲8/96	A+ [5]		Baa1 [8]	▲12/99	AA- [4]		C+ [7]	▲8/99
Bankers United Life Assurance	61387	IA	\$ 3.3B	A [3]		AAA [1]	▲9/96	Aa3 [4]		AA+ [2]		B- [6]	▲4/97
Banner LIC	94250	MD	\$ 0.9B	A+ [2]		-		A2 [6]	▼6/97	-		C+ [7]	▼11/99
Beneficial Std LIC	61417	CA	\$ 2.4B	A [3]	▲8/96	A+ [5]		Baa2 [9]	▼11/98	AA- [4]	▲11/97	C [8]	
Berkshire LIC	61433	MA	\$ 1.4B	A [3]	▼12/96	AA- [4]	▼2/96	-		AA- [4]	▼9/97	C+ [7]	
Business Mens Assurance	61492	M0	\$ 2.5B	A [3]	▼10/95	AA [3]		A1 [5]		AA [3]		B [5]	▼4/97
Canada Life Assurance	80659	CN	\$ 25.1B	A+ [2]	▼6/99	AA+ [2]	▼8/95	Aa3 [4]	▼12/98	AA+ [2]	▼8/99	-	
Canada Life Ins.Co.(NY)	79359	NY	\$ 0.3B	A+ [2]	▼6/99	AA+ [2]	▼8/95	Aa2 [3]		AA+ [2]	▼8/99	B- [6]	▲3/98
Capitol Bankers LIC	62421	MI	\$ 0.3B	A- [4]		A- [7]		-		-		C [8]	
Central Benefits National Life Insurance	63541	OH	\$.04B	B++ [5]		-		-		withdrawn		-	
Central National LIC/Omaha	61700	DE	\$ 0.6B	A+ [2]		-		-		-		B [5]	▼4/97
Champlain LIC	93637	VT	\$ 0.8B	A [3]		-		-		-		-	
Chubb Colonial LIC of America	62057	NJ	\$ 0.5B	A [3]		AA [3]		-		-		B [5]	▼9/95
Chubb Sovereign LIC	80438	NH	\$ 0.4B	A+ [2]		AA [3]	▼8/97	-		-		B [5]	
Cigna LIC	93629	CT	\$ 0.1B	A+ [2]		AA [3]		-		AA+ [2]	▼1/98	C+ [7]	
Columbia Universal Life Insurance Co.	77720	TX	\$ 0.4B	A- [4]		-		-		-		B- [6]	▲3/98
Columbus LIC	99937	OH	\$ 1.9B	A+ [2]		AAA [1]		Aa2 [3]		AAA [1]		B+ [4]	▲2/97

Legend: Trend is the direction and date of most recent change. ▲ = date upgraded; ▼ = date downgraded.

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Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
Commercial Union LIC/America	62898	DE	\$ 1.8B	A+ [2]		-		-		AA- [4]		B+ [4]	▲1/96
Commonwealth LIC	62227	KY	\$ 5.7B	A+ [2]		AAA [1]		Aa3 [4]		AA+ [2]		C+ [7]	▼9/95
Companion LIC	62243	NY	\$ 0.5B	A [3]		AA- [4]		-		AA [3]		B [5]	
Conseco Annuity Assurance	60682	IL	\$ 5.9B	A [3]	▲6/97	A+ [5]	▲12/97	Baa1 [8]	▲12/99	AA- [4]		C [8]	▲11/99
Connecticut General LIC	62308	CT	\$ 69.7B	A+ [2]	▼6/92	AA [3]		Aa3 [4]	▲10/96	AA+ [2]	▼1/98	C+ [7]	
Connecticut National LIC	93769	IL	\$ 0.3B	A [3]		A+ [5]		-		-		C [8]	
Constitution LIC	62359	TX	\$ 0.2B	B++ [5]		-		-		-		D [11]	▼7/95
Continental General Insurance Co.	71404	NE	\$ 0.4B	A- [4]		-		-		AAA [1]		C [8]	▼8/99
Continental Western LIC	62510	IA	\$ 0.4B	-		-		-		-		-	
Cova Financial Services LIC	93513	MO	\$ 2.5B	A [3]		AA+ [2]		Aa2 [3]		AA+ [2]		C [8]	▲10/95
Crown LIC	n/a	CN	\$ 6.7B	A- [4]		A- [7]	▲9/96	Baa3 [10]	▼7/96	-		-	
CU Life Insurance Co. NY	92665	NY	\$ 0.3B	A+ [2]		-		-		AA- [4]		B [5]	
CUNA Mutual Insurance Society	62626	WI	\$ 2.1B	A [3]		-		-		AA [3]		C+ [7]	▼8/99
CUNA Mutual LIC	65749	IA	\$ 3.5B	A [3]	▼3/97	-		-		AA [3]		B+ [4]	▲11/95
Delta Life & Annuity	65145	TN	\$ 1.8B	A [3]	▼6/96	BBB		Baa1 [8]	▼12/99	withdrawn		B- [6]	
Empire General LAC	94285	TN	\$.1B	A+ [2]	▲2/94	AA [3]		-		AA [3]		B [5]	
Empire LIC	62820	WA	\$ 0.03B	A- [4]	▲6/95	-		-		-		B- [6]	
Equitable Life Assurance Society	62944	NY	\$ 74.9B	A [3]	▲3/95	AA [3]	▲12/99	Aa3 [4]	▲6/96	AA- [4]	▲12/95	C+ [7]	▲8/99
Equitable Life/IOWA	62979	IA	\$ 4.6B	A+ [2]		AA+ [2]	▲3/98	Aa2 [3]	▲2/98	AAA [1]	▲2/99	B [5]	
Equitable Variable LIC	81361	NY	\$ 13.5B	-		-		withdrawn		-		C- [9]	▲9/95
Farmers New World LIC	63177	WA	\$ 4.0B	A+ [2]		-		Aa3 [4]		AA [3]		A- [3]	▼4/97
Federal Home LIC	67695	IN	\$ 2.1B	A+ [2]	▲4/96	-		Aa2 [3]		AA [3]	▲8/96	B [5]	▲8/99
Federal Kemper Life Assurance	63207	IL	\$ 2.2B	A [3]	▲1/96	AA+ [2]	▲8/99	Aa3 [4]	▲1/96	AA [3]	▲1/96	B- [6]	▲5/97
Fidelity & Guar. LIC	63274	MD	\$ 3.2B	A- [4]		AA [3]	▲8/99	A3 [7]	▲6/98	AA [3]	▲8/99	C [8]	▲1/96
Financial Benefit LIC	98213	KS	\$ 0.5B	B+ [6]	▲6/96	-		-		-		C [8]	▲2/97
First Alexander Hamilton LIC	71510	NY	\$ 0.5B	A++ [1]	▲11/96	-		-		AAA [1]	▲10/95	B [5]	
First Allmerica Financial Life	69140	MA	\$ 7.2B	A [3]		AA- [4]	▲10/97	A1 [5]		AA [3]		C [8]	
First Colony LIC	63401	VA	\$ 10.0B	A++ [1]		AA [3]	▲12/96	Aa2 [3]	▲4/97	AA+ [2]		B+ [4]	▲6/96
First GNA LIC/NY	72990	NY	\$ 1.4B	-		-		-		-		-	
First Reliance Standard LIC	71005	NY	\$ 0.06B	A- [4]		A [6]	▲3/97	-		A+ [5]	▼12/95	C [8]	

Legend: Trend is the direction and date of most recent change. ▲ = date upgraded; ▼ = date downgraded.

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Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
First Safeco National of NY	78417	NY	\$ 0.03B	A+ [2]		AA [4]	▼8/99	-		-		B [5]	▼11/99
First SunAmerica LIC	92495	NY	\$ 1.8B	A++ [1]	▲3/99	AAA [1]		Aaa [1]		-		C+ [7]	
First UNUM LIC	64297	NY	\$ 0.7B	A+ [2]		AA- [4]	▼8/99	A1 [5]	▼8/99	-		C+ [7]	▼10/98
First Variable LIC	77984	AR	\$ 0.5B	A- [4]		A+ [5]	▼8/99	-		AA- [4]	▼8/99	C+ [7]	▼8/99
Fort Dearborn LIC	71129	IL	\$ 0.6B	A [3]		A+ [5]	▲1/97	-		-		B [5]	▼11/94
Fortis Benefits LIC	70408	MN	\$ 6.3B	A [3]	▼4/96	AA- [4]	▼8/99	A1 [5]		-		B+ [4]	▲9/95
Franklin LIC	63622	IL	\$ 6.7B	A+ [2]	▲6/96	AA+ [2]	▲6/97	Aa3 [4]		AA+ [2]	▼12/98	B+ [4]	▼8/99
GE Capital LAC/NY	72990	NY	\$ 1.7B	A+ [2]		AA [3]		Aa2 [3]		AA [3]		B+ [4]	▲2/97
General American LIC	63665	MO	\$ 12.4B	A+ [2]		AA- [4]		B1 [14]	▼8/99	-		-	
General Electric CAP	70025	DE	\$ 9.9B	A+ [2]	▲6/95	AA [3]		Aa2 [3]	▲4/97	AA [3]	▲8/96	B [5]	▲5/97
Glenbrook Life & Annuity Co.	70092	IL	\$ 0.7B	A+ [2]		AA+ [2]		Aa2 [3]	▲8/97	-		B+ [4]	▲5/98
Globe Life & Accident IC	91472	DE	\$ 1.0B	A+ [2]	▼5/95	withdrawn		-		-		B- [6]	▼10/98
Golden America LIC	80942	DE	\$ 2.2B	A+ [2]		AA+ [2]		-		AAA [1]	▲8/99	B- [6]	▲8/99
Golden Rule Insurance Co.	62286	IL	\$ 1.5B	A [3]	▼5/95	AA- [4]		-		-		B [5]	
Grand Pacific LIC	63975	HI	\$ 0.2B	B+ [6]		-		-		BBB [9]	▼5/98	C [8]	▲6/96
Great American LIC	63312	OH	\$ 5.9B	A [3]		A+ [5]		A3 [7]	▼8/99	AA- [4]	▲11/95	C [8]	▼5/98
Great American Reserve Insurance	64017	TX	\$ 2.5B	A [3]	▲8/96	A+ [5]		Baa2 [9]	▼11/98	AA- [4]	▲11/97	C [8]	▲4/97
Great Northern Insurance Ann.	94366	WA	\$ 6.7B	A+ [2]		AA [3]		Aa2 [3]	▲4/97	AA [3]		B [5]	▲3/95
Great Southern LIC	90212	TX	\$ 1.1B	A [3]		A [6]		-		-		C [8]	▼5/98
Great-West Life & Annuity	68322	CO	\$ 21.2B	A++ [1]		AA+ [2]		Aa2 [3]		AAA [1]		A- [3]	▲8/98
Guardian Insurance/Annuity Co	78778	DE	\$ 7.9B	A+ [2]		AA+ [2]	▼1/97	Aa1 [2]	▼9/96	AAA [1]		A [2]	▲7/97
Guardian LIC of America	64246	NY	\$ 14.4B	A+ [2]	▼10/97	AA+ [2]	▼1/97	Aa1 [2]	▼9/96	AAA [1]		A [2]	▼8/99
Hartford LIC	88072	CT	\$ 62.8B	A+ [2]	▼10/95	AA [3]	▼9/96	Aa3 [4]	▼11/97	AA+ [2]	▼10/95	B+ [4]	▼9/95
Harvest LIC	79421	OH	\$ 1.2B	A+ [2]	▲4/96	-		Aa2 [3]		AA [3]	▲8/96	B- [6]	▲2/97
Horace Mann LIC	64513	IL	\$ 3.2B	A [3]	▼11/95	AA- [4]		A3 [7]		AA [3]		B- [6]	▼5/98
IDS LIC	65005	MN	\$ 42.8B	A+ [2]		-		Aa2 [3]		AAA [1]		B [5]	
IDS Life/NY	80594	NY	\$ 2.6B	A+ [2]		-		Aa2 [3]		AAA [1]		B [5]	
Indianapolis LIC	64645	IN	\$ 1.7B	A [3]	▼6/96	AA- [4]		A2 [6]		AA [3]		C+ [7]	▼11/99
Integrity LIC	74780	OH	\$ 5.8B	A [3]	▲10/95	B [15]	▼11/99	B3 [16]	▼11/99	-		-	▼11/99

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Continued...

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
Inter-State Assurance Co.	64807	IA	\$ 1.3B	A [3]	▲5/94	A+ [5]	▼8/99	-		AA- [4]	▼8/99	B- [6]	▲2/96
Investors Insurance Corp.	64939	DE	\$ 0.2B	-		-		-		-		D+ [10]	▲8/99
Investors LIC of NE	86975	SD	\$ 0.6B	-		withdrawn		-		-		B+ [4]	▲10/95
Jackson National LIC	65056	MI	\$ 32.5B	A+ [2]		AA [3]		Aa3 [4]	▲1/98	AA+ [2]	▲6/98	C+ [7]	▲10/95
Jefferson-Pilot LIC	67865	NC	\$ 7.4B	A++ [1]		AAA [1]		Aa2 [3]		AAA [1]		A [2]	▼4/98
John Alden LIC	65080	MN	\$ 1.0B	A- [4]	▼3/96	AA [3]	▲8/99	A2 [6]	▲12/98	-		C [8]	▼4/97
John Hancock LIC	65099	MA	\$ 55.4B	A++ [1]		AA+ [2]	▼4/95	Aa2 [3]		AAA [1]		A- [3]	▲5/97
Kansas City LIC	65129	MO	\$ 2.4B	A [3]		A+ [5]	▼3/94	A2 [6]		-		B [5]	
Kemper Investors LIC	90557	IL	\$ 9.7B	A [3]	▲1/96	AA+ [2]	▲8/99	Aa3 [4]	▲2/96	AA [3]	▲1/96	B- [6]	
Keyport LIC	65234	RI	\$ 14.6B	A+ [2]	▲11/94	AA [3]	▼12/99	A2 [6]	▼4/98	AA- [4]		B [5]	
Keystone State LIC	90344	PA	\$.03B	B [7]	▲11/95	-		-		A- [7]		C- [9]	▲10/98
Knights of Columbus	58033	CT	\$ 6.9B	A++ [1]		AAA [1]		Aa3 [4]		-		-	
Lafayette LIC	65242	IN	\$ 0.8B	A [3]	▼5/95	A [6]		-		A+ [5]	▼1/98	B [5]	
Lamar LIC	65250	MS	\$ 0.7B	A [3]		A+ [5]		-		AA- [4]	▲11/97	C+ [7]	▼8/98
Liberty LIC	65323	SC	\$ 1.3B	A [3]		-		-		AA- [4]	▼2/97	C+ [7]	▼4/97
Liberty National LIC	65331	AL	\$ 3.2B	A+ [2]	▼4/95	withdrawn		A2 [6]		-		B [5]	▼11/97
Life Insurance Co./Georgia	65471	GA	\$ 2.8B	A+ [2]		AA+ [2]	▲8/98	Aa2 [3]		AAA [1]		B+ [4]	▼8/99
Life Insurance Co./Southwest	65528	TX	\$ 2.0B	A [3]	▼6/94	-		Baa1 [8]		AA- [4]		C+ [7]	▼8/99
Life Insurance Co./Virginia	65536	VA	\$ 10.6B	A+ [2]		AA [3]		Aa2 [3]	▲4/97	AA [3]	▼8/96	B [5]	
Life Investors Ins. Co.	64130	IA	\$ 7.0B	A+ [2]		AAA [1]	▲10/96	Aa3 [4]		AA+ [2]		B [5]	▲10/96
LifeUSA Insur. Co.	92509	MN	\$ 2.2B	A- [4]		A [6]	▲8/99	A1 [5]	▲10/99	-		C+ [7]	▲2/98
Lincoln Benefit Life	65595	NE	\$ 0.6B	A+ [2]		AA+ [2]		Aa2 [3]	▲8/97	-		B+ [4]	▲10/98
Lincoln National LIC	65676	IN	\$ 58.3B	A+ [2]		AA- [4]		Aa3 [4]	▲7/94	AA+ [2]	▼11/95	B [5]	▼8/99
Lincoln Security LIC	61620	NY	\$ 0.3B	A [3]	▼11/96	AA- [4]		-		-		C [8]	▼7/97
London LIC	na	CN	\$ 23.0B	A++ [1]		AA+ [2]	▼8/95	Aa2 [3]		AAA [1]		-	
London Pacific Life & Annuity	68934	NC	\$ 1.3B	B+ [6]	▲5/96	-		-		-		C- [9]	
Lutheran Brotherhood	57126	MN	\$ 1.9B	A++ [1]		AA+ [2]	▼2/96	Aa2 [3]		AA+ [2]	▼8/99	B [5]	
Manhattan National	67083	IL	\$ 0.4B	A [3]		A+ [5]		-		AA- [4]	▲11/97	C [8]	▼7/97
Manufacturers LIC	n/a	CN	\$ 30.5B	A++ [1]		AA+ [2]	▼10/94	Aa2 [3]	▲2/98	AAA [1]		-	
Massachusetts General LIC	65900	MA	\$ 1.5B	-		A+ [5]		-		AA- [4]	▲11/97	-	

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Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
Massachusetts Mutual LIC	65935	MA	\$ 57.6B	A++ [1]		AAA [1]	▲6/94	Aa1 [2]		AAA [1]		A [2]	▲8/99
Medco Containment LIC	63762	PA	\$ 0.4B	-		-		-		-		C- [9]	
Mega Life & Health	97055	OK	\$ 0.7B	A [3]		-		-		A+ [5]	▼8/99	C+ [7]	▲2/97
Merrill Lynch LIC	79022	AR	\$ 13.6B	A [3]		AA- [4]	▲12/96	Aa3 [4]		-		B [5]	▲8/99
Metropolitan LIC	65978	NY	\$172.4B	A+ [2]	▼12/94	AA [3]	▼12/96	Aa2 [3]	▼3/96	AA+ [2]	▼9/96	A- [3]	
Midland LIC	66036	OH	\$ 1.2B	A [3]	▲2/98	A+ [5]	▲2/98	-		-		C+ [7]	▲5/98
Midland National LIC	66044	SD	\$ 3.6B	A+ [2]		AA [3]	▼6/96	A2 [6]		-		A- [3]	▼5/98
Ministers Life	93742	MN	\$ 0.21B	A+ [2]		-		-		AAA [1]		B [5]	
Minnesota Mutual LIC	66168	MN	\$ 13.3B	A++ [1]		AA+ [2]		Aa2 [3]	▼8/95	AAA [1]		A [2]	
Modern Woodmen of America	57541	IL	\$ 3.8B	A+ [2]		-		-		AA [3]	▼11/95	-	
Monumental LIC	66281	MD	\$ 4.0B	A+ [2]	▲10/94	AAA [1]		Aa3 [4]		AA+ [2]		B- [6]	
Mutual Life Assurance	81914	CN	\$ 22.7B	A++ [1]		AA [3]	▼8/98	Aa3 [4]	▼8/99	-		-	
Mutual LIC/NY (MONY)	66370	NY	\$ 11.8B	A- [4]		A+ [5]	▲7/98	A3 [7]	▲5/96	A+ [5]		C [8]	▲2/97
Mutual of America LIC	88668	NY	\$ 8.3B	A++ [1]		AA+ [2]		Aa3 [4]		AA [3]		B+ [4]	
Mutual Trust LIC	66427	IL	\$ 0.8B	A [3]		A+ [5]		-		A+ [5]	▼11/97	B+ [4]	
National Guardian LIC	66583	WI	\$ 0.7B	A- [4]		-		-		-		A- [3]	▲8/99
National Integrity LIC	75264	NY	\$ 1.1B	A [3]	▲18/95	B [15]	▼12/99	B3 [16]	▼12/99	BBB+ [8]	▼8/99	C [8]	
National LIC of VT	66680	VT	\$ 6.0B	A [3]	▼9/95	A+ [5]		A3 [7]	▼5/98	AA- [4]		B- [6]	
Nationwide LIC	66869	OH	\$ 55.6B	A++ [2]		AA+ [2]	▼3/96	Aa2 [3]	▼5/96	AA+ [2]		A- [3]	▲8/99
New England Mutual Life	66893	MA	\$ 16.3B	-		AA [3]	▼12/96	Aa2 [3]		AA+ [2]	▲9/96	A- [3]	▲8/99
New York LIC	66915	NY	\$ 65.3B	A++ [1]		AA+ [2]	▼1/97	Aa1 [2]	▼8/96	AAA [1]		A [2]	
North America Co./L&H	66974	IL	\$ 1.6B	A [3]		AA [3]	▲8/99	A2 [6]	▲8/99	-		B- [6]	▲8/99
North America Security LIC	90425	DE	\$ 5.0B	-		AA [3]	▲8/99	-		-		-	
Northbrook LIC	88528	IL	\$ 5.8B	A+ [2]		AA+ [2]		Aa2 [3]	▲8/97	-		B+ [4]	▼8/99
Northern LIC	87734	WA	\$ 5.8B	A+ [2]		AA [3]	▲8/99	A1 [5]		AA [3]		C+ [7]	▼8/99
Northwestern Mutual LIC	67091	WI	\$ 71.1B	A++ [1]		AAA [1]		Aaa [1]		AAA [1]		A+ [1]	
Ohio National Life Assurance	89206	OH	\$ 0.9B	A+ [2]		AA [3]		A1 [5]		AA [3]		B [5]	
Ohio National LIC	67172	OH	\$ 5.1B	A+ [2]		AA [3]		A1 [5]		AA [3]		B [5]	▲2/96
Old Line LIC of America	67245	WI	\$ 1.4B	A+ [2]		AA+ [2]		Aa3 [4]	▲6/97	AA+ [2]		B [5]	▼4/97
Pacific LIC	67466	CA	\$ 31.8B	A+ [2]	▲6/95	AA+ [2]		Aa3 [4]	▲9/94	AA+ [2]		A [2]	▲5/98
Pan-American LIC	67539	LA	\$ 1.9B	A- [4]	▼6/96	-		Baa1 [8]	▼2/98	A [6]	▼8/99	C+ [7]	▼8/98

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Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
Paragon LIC	93564	MO	\$ 0.2B	A+ [2]	▼8/99	B [15]	▼8/99	-		AA [3]		D+ [10]	▼8/99
Paul Revere LIC	67598	MA	\$ 5.0B	A [3]	▲8/99	AA- [4]	▲8/99	A1 [5]	▼8/99	AA- [4]		C+ [7]	▲8/99
Penn Insurance & Annuity	93262	DE	\$ 1.2B	A [3]	▼1/95	AA- [4]		A3 [7]	▼6/97	AA- [4]		C+ [7]	
Penn Mutual LIC	67644	PA	\$ 7.1B	A [3]	▼1/95	AA- [4]		A3 [7]	▼6/97	AA- [4]		C+ [7]	
Peoples Benefit LIC ¹	66605	MO	\$ 11.3B	A+ [2]		AAA [1]	▲8/97	Aa3 [4]	▲6/97	AA+ [2]		B- [6]	▼2/98
Peoples Security LIC	64475	NC	\$ 6.0B	A+ [2]		AAA [1]	▲8/97	Aa3 [4]		withdrawn		C+ [7]	▼4/97
PFL Life Ins Co.	86231	IA	\$ 8.7B	A+ [2]	▲6/95	AAA [1]	▲10/96	Aa3 [4]		AA+ [2]		B- [6]	
PHF LIC	84808	FL	\$ 0.3B	A+ [2]		-		-		-		B- [6]	▲10/98
Philadelphia LIC	97047	PA	\$ 1.6B	A [3]		A+ [5]		-		AA- [4]	▲11/97	C+ [7]	▼8/98
Phoenix Home Life	67814	NY	\$ 16.0B	A [3]		AA [3]	▲11/95	Aa3 [4]		AA [3]		B- [6]	▼8/98
Physicians Mutual Ins. Co.	80578	NE	\$ 0.9B	A [3]	▼6/95	AA [3]	▲7/95	-		-		A [2]	▼8/99
Pioneer LIC of IL	68330	IL	\$ 0.6B	B++ [5]	▲6/96	A+ [5]		-		AA- [4]	▲11/97	C [8]	
Presidential LIC	68039	NY	\$ 2.3B	A- [4]	▲11/94	-		Baa2 [9]	▲8/97	-		C [8]	▲10/95
Primerica LIC	65919	MA	\$ 3.4B	A [3]	▲12/96	AA [3]		Aa3 [4]		AA [3]		B+ [4]	▲10/99
Principal Mutual LIC	61271	IA	\$ 64.0B	A+ [2]	▼3/96	AA [3]	▼10/98	Aa2 [3]	▼6/98	AA+ [2]	▼8/99	A- [3]	▲8/98
Protective LIC	68136	TN	\$ 7.5B	A+ [2]		AA [3]		A1 [5]		AA [3]		B- [6]	▼11/97
Provident Life/Accid.	68195	TN	\$ 10.8B	A [3]		AA- [4]	▲8/99	A1 [5]	▼12/99	AA- [4]		C [8]	▼4/98
Provident Mutual LIC	68225	PA	\$ 5.7B	A [3]	▼6/96	AA- [4]		A2 [6]		AA [3]		B- [6]	
Provident National Assurance	70866	TN	\$ 1.0B	A [3]		withdrawn		A1 [5]	▼12/99	AA- [4]	▼12/94	C [8]	
Prudential Ins. Co./Amer	68241	NJ	\$194.0B	A [3]	▼4/95	A+ [5]	▼8/97	A1 [5]	▼2/97	AA- [4]	▼3/98	B- [6]	
Reliance Standard LIC	68381	IL	\$ 1.6B	A- [4]	▼12/95	A [6]	▲3/97	Baa2 [9]		A+ [5]	▼12/95	C [8]	
ReliaStar Life Ins. Co. of NY	61360	NY	\$ 2.2B	A+ [2]		AA [3]	▲10/98	A1 [5]		AA [3]		B- [6]	▼8/99
Royal Maccabees LIC	65765	MI	\$ 2.0B	A- [4]	▲7/96	-		withdrawn		A [6]	▼4/95	C [8]	
SAFECO LIC	68608	WA	\$ 13.0B	A+ [2]		AA- [4]	▼3/98	A1 [5]	▼7/97	AA [3]		B [5]	▼8/99
Savings Bank LI/MA	70435	MA	\$ 1.2B	A+ [2]		AA- [4]		-		AA [3]		B+ [4]	▲7/97
Security Benefit LIC	68675	KS	\$ 6.2B	A+ [2]		AA- [4]	▲5/98	A2 [6]		AA- [4]		B- [6]	
Security Connecticut LIC	91588	CT	\$ 1.7B	A [3]	▼11/96	AA [3]	▲10/98	A2 [6]	▲8/97	AA [3]		B- [6]	
Security First LIC	61050	DE	\$ 3.4B	A [3]		AA [3]		Aa3 [4]	▲2/98	AA+ [2]		B- [6]	▲6/98
Security Life of Denver	68713	CO	\$ 4.8B	A+ [2]		AA+ [2]	▲8/98	Aa2 [3]		AAA [1]		B [5]	▼8/99

Continued . . .

¹ Formerly Provident Life & Health.

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
Security Mutual LIC/NY	68772	NY	\$ 1.4B	A [3]		A+ [5]		Baa1 [8]	▼9/99	A+ [5]	▼9/95	B- [6]	
Southland LIC	68950	TX	\$ 1.5B	A+ [2]		AA+ [2]		Aa2 [3]		AAA [1]		B [5]	▼8/99
Southwestern LIC	91391	TX	\$ 1.8B	B++ [5]	▼1/96	BB [12]		B2 [15]		BB- [13]	▼12/98	D+ [10]	▲11/97
Standard Insurance Co.	69019	OR	\$ 4.5B	A [3]	▼4/94	A+ [5]		A2 [6]		AA- [4]		B- [6]	▼8/98
State Farm LIC	69108	IL	\$ 23.4B	A++ [1]		AAA [1]		Aaa [1]		AAA [1]		A+ [1]	
State LIC	69116	IN	\$ 0.3B	A+ [2]	▲10/94	AA [3]		-		AA [3]	▼11/96	B [5]	
Sun Life Assurance/Canada		CN	\$ 41.8B	A++ [1]		AA+ [2]		Aa1 [2]		AAA [1]		-	
Sun Life/Canada (US)	79065	DE	\$ 15.9B	A++ [1]		AA+ [2]		Aa2 [3]	▼12/98	AAA [1]		B [5]	▲5/98
SunAmerica LIC	69256	AZ	\$ 16.2B	A++ [1]	▲3/99	AAA [1]		Aaa [1]	▲8/99	AA [3]		C+ [7]	
Sunset LIC/America	69272	WA	\$.05B	A [3]	▼11/94	A+ [5]		-		-		B [5]	▼1/96
Teachers Insurance & Annuity (TIAA)	69345	NY	\$ 93.8B	A++ [1]		AAA [1]		Aaa [1]		AAA [1]		A+ [1]	▲8/99
Time Insurance Co.	69477	WI	\$ 1.4B	-		A [6]	▼11/95	-		-		-	
TMG LIC (Wtn States)	70491	ND	\$ 1.6B	A++ [1]	▲11/94	AA [3]		-		-		B- [6]	
Transamerica Life & Annuity	69507	NC	\$ 17.0B	A+ [2]		AAA [1]		Aa3 [4]		AA+ [2]		B [5]	
Transamerica Occidental	67121	CA	\$ 17.7B	A+ [2]		AAA [1]		Aa3 [4]		AA+ [2]		B+ [4]	▲2/97
Travelers Insurance Co.	87726	CT	\$ 36.0B	A+ [2]	▲7/97	AA [3]		Aa3 [4]	▲4/97	AA [3]	▲11/97	B- [6]	▲5/98
Travelers Life/Annuity	80950	CT	\$ 3.0B	A [3]		AA [3]	▲9/98	Aa3 [4]	▲4/97	AA [3]	▲11/97	B [5]	▲11/99
Union Central LIC	80837	OH	\$ 4.8B	A [3]		A+ [5]		A3 [7]		A+ [5]		C+ [7]	▲8/99
Union Labor LIC	69744	MD	\$ 2.5B	B++ [5]		withdrawn		-		withdrawn		C- [9]	▲5/98
United American Insurance Co.	92916	DE	\$ 0.8B	A+ [2]		withdrawn		-		-		A- [3]	
United Heritage Mutual LIC	63983	ID	\$ 0.3B	A- [4]		-		-		-		B [5]	
United Investors LIC	94099	MO	\$ 2.8B	A+ [2]	▼5/95	AA [3]	▼9/96	A3 [7]		-		B+ [4]	▼10/98
United Life & Annuity IC	69876	LA	\$ 1.4B	B++ [5]		-		-		AAA [1]	▲8/99	C [8]	▼6/98
United of Omaha	69868	NE	\$ 9.3B	A [3]	▼6/96	AA- [4]		Aa3 [4]	▼7/95	AA [3]		B+ [4]	
United Presidential	70033	IN	\$ 1.2B	A [3]		-		-		-		C+ [7]	▼8/98
UNUM LIC	62235	ME	\$ 6.9B	A++ [1]		AA- [4]	▼8/99	A1 [5]	▼12/99	-		B- [6]	▼5/98
USAA LIC	69663	TX	\$ 6.9B	A++ [1]		AAA [1]		Aa1 [2]		-		A [2]	▲11/99
U.S. Life Ins. Co. (NY)	70106	NY	\$ 2.5B	A+ [2]		-		Aa3 [4]	▲6/97	AA+ [2]		-	
USG Annuity & Life Co.	61247	OK	\$ 7.4B	A+ [2]		AA+ [2]	▲8/98	Aa2 [3]	▲2/98	AAA [1]	▲2/99	B [5]	▲10/98
Variable Annuity LIC	70238	TX	\$ 33.7B	A+ [2]		AA+ [2]		Aa2 [3]		AA+ [2]	▼12/98	B+ [4]	

Legend: Trend is the direction and date of most recent change. ▲ = date upgraded; ▼ = date downgraded.

Continued ...

Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best's		Std & Poors		Moody's Invest.		Duff & Phelps		Weiss Research	
				Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend	Rating	Trend
West Coast LIC	70335	CA	\$ 0.8B	A [3]	▼4/97	AA [3]		A1 [5]	▲2/98	AA [3]		B- [6]	▼11/97
Western Reserve Life Assurance of OH	91413	OH	\$ 5.2B	A+ [2]		AAA [1]	▲10/96	Aa3 [4]		AA+ [2]		B- [6]	▼10/98
Western & Southern Life Insurance	70483	OH	\$ 6.4B	A++ [1]		AAA [1]		Aa2 [3]		AAA [1]		B+ [4]	▼10/98
Western United LAC	77925	WA	\$ 0.9B	B+[6]	▲8/99	-		-		-		D+ [10]	▲8/99
William Penn LIC/NY	66230	NY	\$ 1.1B	A [3]		-		A2 [6]	▼6/97	-		B- [6]	▼5/96
Woodmen of the World Life Society	57320	NE	\$ 4.5B	A+ [2]		AA [3]		-		-		-	
Zurich LIC of America	70661	IL	\$ 0.3B	A [3]	▲6/94	AA+ [2]	▲8/99	Aa3 [4]		AA [3]		C [8]	

Legend: Trend is the direction and date of most recent change. ▲ = date upgraded; ▼ = date downgraded.



Rating Agencies

A.M. Best's Ratings

A. M. Best Co. is the oldest insurance rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. It has been assigning an alphabetic rating scale to insurance companies since 1976.

Best's evaluates a company's **Relative Financial Strength** and overall performance in comparison with others. Best's ratings should not be taken as a guaranty of any insurer's current or future ability to meet its contractual obligations. Best's charges an insurer \$500 for a letter rating. (Contact A.M. Best Company, Oldwick, New Jersey 08858.)

A. M. Best's rating is assigned after evaluating a company's financial condition and operating performance both in qualitative and quantitative terms. Quantitative evaluation examines (1) profitability, (2) leverage, (3) liquidity, (4) reserve adequacy, and (5) reinsurance. Qualitative evaluation is based on (1) spread of risk, (2) soundness and appropriateness of reinsurance, (3) quality and diversification of assets, (4) adequacy of policy reserves, and (5) adequacy of surplus, (6) capital structure, and (7) management experience. Ratings are reviewed both on an annual and a quarterly basis.

The rating scale uses letter grades ranging from A++ (Superior), the highest, to F (In Liquidation), the lowest. The letter grade can also have a modifier that qualifies it. The A++ highest rating is based on a company's favorable comparison of profitability, leverage, and liquidity with industry norms; favorable experience from mortality, lapses, and expenses; quality and diversification of investment portfolio; strong policy reserves and a surplus to risk ratio that is above that for the average life insurance company. Also examined are the amount and soundness of its reinsurance and the competence and experience of management.

The rating categories, including modifiers and "not assigned" designations, are as follows:

Rating Categories

A++, A+	Superior
A, A-	Excellent
B++, B+	Very Good
B, B-	Good
C++, C+	Fair
D	Below Minimum Standards
E	Under State Supervision
F	In Liquidation

Rating Modifiers

p	Pooled Rating
r	Reinsured Rating
e	Parent Rating
x	Revised Rating
w	Rating Watch List
g	Group Rating
s	Consolidated Rating
q	Qualified Rating

"Not Assigned" Categories

NA-1	Special Data Filing
NA-2	Less than Minimum Size
NA-3	Insufficient Operating Experience
NA-4	Rating Procedure Inapplicable
NA-5	Significant Change
NA-6	Reinsured by Unrated Insurer
NA-8	Incomplete Financial Information
NA-9	Company Request
NA-11	Rating Suspended

Financial Performance Rating (FPR)

The FPR measures the financial strength of small (NA-2) or new (NA-3) companies not eligible for a Best's Rating and is based on the following numerical scale.

Secure Ratings

9,8	Strong
7,6	Above Average
5	Average

Vulnerable Ratings

4	Average
3,2	Below Average

No Rating Opinion

1	Not Assigned
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Ratings and reports on individual companies are available from A.M. Best. The cost of the report, which includes the company's rating, is \$20. You can also receive just the letter rating

by dialing a 900 number. (This is a toll call at \$2.50 per minute.) Call A.M. Best at (908) 439-2200 for instructions on how to place the call.

Standard & Poor's Ratings

Standard and Poor's, which began rating insurance companies in the mid 1980s, assesses a company's **Claims-Paying Ability**—that is, its financial capacity to meet its insurance obligations. S&P forms its opinion by examining industry-specific risk, management factors, operating performance and capitalization. Industry-specific risk addresses the inherent risk in and diversity of the insurance business being underwritten. Management factors include how management defines its corporate strategy and the effectiveness of its operations and financial controls. Operating performance focuses on a company's trend for current and future earnings. For capitalization, S&P looks at the company's capital structure, its ability to raise capital, liquidity, and cash flow.

S&P charges an insurer between \$15,000 and \$28,000 to receive a claims-paying ability rating. (Contact: Standard and Poor's, 25 Broadway, New York, NY 10004.)

S&P's rating scheme uses a letter grade scale that ranges from AAA (highest) to R (lowest), (ie., AAA, AA, A, BBB, BB, B, CCC, R). The "AAA" rating, for example, represents a company's extremely strong capacity to honor its obligations and to remain so over a long period of time. "AAA" companies offer **superior** financial security on both an absolute and relative basis. They possess the highest safety and have an overwhelming capacity to meet policyholder obligations.

Rating Agencies

As a group, the claims-paying ability ratings are divided into two broad classifications. Rating categories from 'AAA' to 'BBB' are classified as "secure" and indicate insurers whose financial capacity to meet policyholder obligations is viewed on balance as sound. Ratings categories from 'BB' to 'CCC' are classified as "vulnerable" and indicate insurers whose financial capacity to meet policyholders obligations is viewed as vulnerable to adverse economic and underwriting conditions. Plus (+) and minus (-) signs show relative standing within a category; they do not suggest likely upgrades or downgrades. For certain companies, the S&P rating includes a 'q' subscript, which indicates that the rating is based solely on quantitative analysis of publicly available financial data. In the case of claims-paying ability ratings, this is the statutory financial data filed with the National Association of Insurance Commissioners. **Annuity & Life Insurance Shopper** does not include the 'q' subscript rating.

RATING CATEGORIES

Secure Range:

AAA	Superior financial security. Highest safety.
AA	Excellent financial security. Highly safe.
A	Good financial security. More susceptible to economic change than highly rated companies.
BBB	Adequate financial security. More vulnerable to economic changes than highly rated companies.

Vulnerable Range:

BB	Financial security may be adequate, but capacity to meet long-term policies is vulnerable.
B	Vulnerable financial security.
CCC	Extremely vulnerable financial security. Questionable ability to meet obligations unless favorable conditions prevail.
R	Regulatory action. Placed under an order of rehabilitation and liquidation.

S & P ratings for individual companies are available at no charge. Financial reports are \$25 each. Write to Standard & Poor's Corporation; 25 Broadway; New York, NY 10004. Or call (212) 208-1527.

Moody's Ratings

Moody's Insurance **Financial Strength Ratings** are opinions of the relative strength or weakness of insurance companies. Specifically, they summarize the likelihood that a company will be able to meet its senior policyholder obligations. Moody's considers both quantitative and qualitative factors in the following areas: product lines, industry competitive positions, markets, distribution systems, organizational structure, earnings trends and profitability, performance and quality of investments, asset/liability management and liquidity, surplus position relative to risk profile and affiliated companies. A very important part of the evaluation is understanding management's philosophy and the company's strategic direction. The rating, therefore, involves judgments about the future and includes assessments on how management and companies will respond to worst case scenarios. Moody's annual fee for a rating is \$25,000. (Contact: Moody's Investors Service, 99 Church Street, New York, NY 10007.)

Moody's uses a letter grade scale that ranges from Aaa ("Exceptional") for the highest rating to C ("Lowest") for the least favorable rating (ie., Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C). For classes Aa to B, Moody's adds a numerical modifier, from 1 (at high end of category) to 3 (at the lower end) to indicate the approximate ranking of a company in the particular classification.

Rating Categories

Aaa	Exceptional security. Unlikely to be affected by change.
Aa	Excellent security. Lower than Aaa because long-term risks appear somewhat larger.
A	Good Security. Possibly susceptible to future impairment.
Baa	Adequate security. Certain protective to future impairment.
Ba	Questionable security. Ability to meet obligations may be moderate.
B	Poor security. Assurance of punctual payment of obligations is small over the long run.
Caa	Very poor security. There may be elements of danger regarding the payment of obligations.
Ca	Extremely poor security. Companies are often in default.
C	Lowest security. Extremely poor prospects of offering financial security.

Moody's provides a range of financial analysis reports and ratings. For further information, write to Moody's Investors Service; 99 Church Street; New York, NY 10007; or telephone (212) 553-1658.

Duff & Phelps' Ratings

Duff & Phelps began rating insurance carriers in 1986. Its rating emphasizes analysis of the company's future ability to promptly pay its obligations by evaluating the insurer's long term solvency and its ability to maintain adequate liquidity. The evaluation involves both quantitative and qualitative factors.

Rating Agencies

The quantitative factors focus on profitability, operating leverage, surplus adequacy, asset quality and concentrations and the adequacy of policy reserves. An important emphasis is the sensitivity of the insurance company to volatile business cycles, major shifts in interest rates and the ability of management to deal within those circumstances.

Duff and Phelps uses a letter grade scale that ranges from AAA, the highest rating, to CCC, the lowest rating (i.e. AAA, AA, A, BBB, BB, B, CCC). The ratings below AAA may be modified by the addition of a plus or minus sign to show relative standing within those grades.

Rating Categories

AAA	Highest claims paying ability. Negligible risk.
AA+	Very high claims paying ability.
AA	Modest risk.
AA-	
A+	High claims paying ability.
A	Variable risk over time.
A-	
BBB+	Below average claims paying ability.
BBB	
BBB-	
BB+	Uncertain claims paying ability.
BB	Protective factors are subject to change to change with adverse economy.
BB-	
CCC	Substantial risk regarding claims paying ability. Likely to be placed under state insurance department supervision.

Full reports on individual companies are available for \$25. Ratings are provided free of charge. Write to Duff & Phelps Credit Rating Company; 55 East Monroe St.; Chicago, IL 60603; or call (312) 368-3157.

Weiss Ratings

Weiss Ratings, Inc. a recent entrant in the insurance rating business, began offering its **Weiss Safety Rating** in 1990. Weiss analyzes a company's future ability to pay its claims under difficult economic conditions when the potential for liquidity problems is increased. The most important indicators used are risk-adjusted capital ratios, which evaluate a company's exposure to investment, liquidity, and insurance risk in relation to the capital that the company has to cover those risks during periods of average and severe recession.

The Weiss Safety Rating scale ranges from A to F (see details below). Weiss' rating standards are generally more conservative than those used by other agencies. For example, the distribution of 1991 Weiss' ranking found only 2.8% of all companies rated achieved an A grade, 13.6% were rated in the B class, 37.2% at C, 20.2% at D, 4.5% at E, and 3.1% at F. Whereas Weiss' ratings closely followed a bell-shaped distribution, the ratings by Best's, S&P, and Moody's fell predominantly in the A and B classifications alone.

To achieve a top Weiss rating, a company must be adequately prepared to withstand the worst-case scenario, without impairing its current operations. It must also achieve an acceptable level in all five components of the Weiss Safety Rating: equity, investment safety, profitability, leverage, and size. A company that has a very weak investment component but does well in all other categories would still rate poorly. This means that companies rated less than B can remain viable provided the economic environment remains relatively stable. A detailed description of Weiss' rating scale follows in the next column. For further information contact Weiss Research, 4176 Burns Rd., Palm Beach Gardens, FL 33410; by telephone (800) 289-9222 or fax (407) 625-6685.

- A Excellent.** This company offers excellent financial security. It has maintained a conservative stance in its investment strategies business operations and underwriting commitments. While the financial position of any company is subject to change, we that has the resources necessary to deal with severe economic conditions.
- B Good.** This company offers good financial security and has the resources to deal with a variety of adverse economic conditions. However, in the event of a severe recession or major financial crisis, we feel that this assessment should be reviewed to make sure that the firm is still maintaining adequate financial strength.
- Important note:** Carriers with a B+ rating are included in our Recommended List because they have met almost all of the requirements for an A rating.
- C Fair.** This company offers fair financial security and is currently stable. But during an economic downturn or other financial pressures, we feel it may encounter difficulties in maintaining its financial stability.
- D Weak.** This company currently demonstrates what we consider to be significant weaknesses which could negatively impact policyholders. In an unfavorable economic environment, these weaknesses could be magnified.
- E Very Weak.** This company currently demonstrates what we consider to be significant weaknesses and has also failed some of the basic tests that we use to identify fiscal stability. Therefore, even in a favorable economic environment, it is our opinion that policyholders could incur significant risks.
- F Failed.** Companies under the supervision of state insurance commissioners.
- +/- Plus** is an indication that, with new data, there is a modest possibility that this company could be upgraded. **Minus** is an indication that, with new data, there is a modest possibility that this company could be downgraded. The A+ rating is an exception since no higher grade exists.
- U Unrated.** This symbol indicates that a company is unrated for one or more of the following reasons: (1) total assets of less than \$1 million, (2) premium income for the current year less than \$100 thousand, or (3) the company functions almost exclusively as a holding company rather than as an underwriter.