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## How to Buy a Top-Rated Income Annuity

*Retirement & Pension Issues, p. 6*

## How to Distribute an IRA Upon Death

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## Where To Begin?

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Annuities are an excellent choice for most investors. A sum of money is deposited with an insurance company. The company credits the account with tax-deferred growth ("fixed-interest" deferred annuity or "variable" annuity) or returns a lifetime income ("immediate" income annuity).

**ANNUITY SHOPPER** magazine helps you sort through the mysteries behind several different types of annuities. We report the current rates, account performance and features of many of the top contracts, plus their financial rankings.

Where should you begin?

If you are well-versed in annuities, you will probably want to start with our *Immediate Annuities Update* or *Deferred Annuities Update* sections. There you'll find our latest survey of annuity rates and policy performance. If you are new to annuities, may I suggest you read the article entitled *How to Buy A Top Income Annuity*. After reading the article, proceed to the *Update* sections.

Research on the strength of annuity issuers can be found in the section titled *Insurance Company Ratings*. Also shown is each company's asset level.

If you'd like to reach us, please call 800-872-6684. We welcome your comments and suggestions. Our brokerage representatives are also available to help you find the right annuity. Please also visit us at our web site on the internet at **[www.annuityshopper.com](http://www.annuityshopper.com)** or **[www.immediateannuity.com](http://www.immediateannuity.com)**.



Hersh L. Stern  
Publisher

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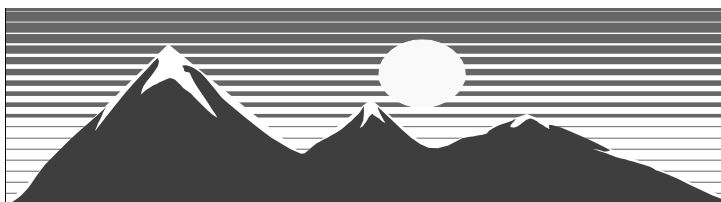
# How to Buy a Top Income Annuity

SINGLE PREMIUM IMMEDIATE ANNUITIES (SPIAs) are purchased with a single deposit, and usually commence regular income payments one month after you make your deposit. An immediate annuity can be purchased with funds from a variety of sources, such as a maturing Certificate of Deposit (CD), monies which have accumulated in a Deferred Annuity account (see below), funds from a tax-qualified defined benefit or profit-sharing plan, or from an IRA account. The key element to understand with an immediate annuity is the nature of the exchange that takes place between the insurance company and the purchaser: In return for a one-time, lump-sum payment, the insurance company agrees to pay an income stream according to a specified schedule of payments. Typically, this might be for the lifetime of an annuitant or for a definite number of years. Because each periodic payment includes a portion of the original deposit along with earnings, the purchaser does not retain the option of requesting the return of his deposit, or portion thereof, in a lump sum amount. In other words, once the “free-look” period has expired, the purchaser has no right to cash in the policy.

## Advantages of An Immediate Annuity

Some of the advantages of an immediate annuity are:

- (1) ***Simplicity***—the annuitant does not have to manage his investments, watch markets, report interest or dividends, or compete against professional investors;
- (2) ***Security***—the annuity provides stable lifetime income which can never be outlived or which may be guaranteed for a specified period;
- (3) ***High Returns***—the interest rates used by insurance companies to calculate SPIA income are generally higher than CD rates, and since part of the principal is returned with each payment, greater amounts are received than would be provided by interest alone;
- (4) ***Preferred Tax Treatment***—lets you postpone paying taxes on some of the earnings you’ve accrued in a “tax-deferred” annuity when rolled into an immediate annuity (i.e., the portion attributable to interest);
- (5) ***Safety of Principal***—funds are guaranteed by assets of insurer and not subject to the fluctuations of financial markets; and
- (6) ***No Sales or Administrative Charges.***



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# How to Buy a Top income Annuity

## Ideal Uses of an Immediate Annuity

SPIAs may be particularly suitable when providing a steady stream of income in the following situations:

- (1) Retirement (at the end of full- or part-time employment)
- (2) Annuitizing a deferred annuity policy (through a 1035 exchange to spread out deferred interest)
- (3) Planning for Medicaid eligibility
- (4) Settling an Estate or Divorce obligation
- (5) Guaranteeing pension plan or deferred compensation benefits
- (6) Settling a personal injury or wrongful death lawsuit.

## Forms of Annuity

In its simplest form, an immediate annuity guarantees to make payments over the lifetime of one person. This type, called a "Straight Life," "Life Only," or "Non-refund" annuity, insures the recipient against outliving his financial resources and is an important instrument in planning for retirement. Given a fixed deposit amount, the monthly payments which derive from a "Straight Life" annuity are always greater than those derived from other forms of immediate annuity, such as the "Life with Period Certain" annuity, or the "Joint and Survivor" annuity. The insurer of a single life annuity calculates its obligation only until the last regular payment preceding the annuitant's death. With other more extended forms of annuity, the insurer calculates its risk over a longer period than the one life expectancy, and reduces proportionately the monthly payment amount. However, since the payments on a single life annuity expire when you do, selecting this form of annuity is tantamount to betting that you will live longer than the average person.

When you extend the range of a life annuity by continuing payments to a second person ("Joint and Survivor" annuity) or for a guaranteed minimum

period of time ("Period Certain" annuity), the extra coverage may reduce the monthly payment by about 5% to 15%. Several situations where these "extended" forms of immediate annuity would be most suitable are: (1) when the income needs to be guaranteed over the lifetimes of a husband and wife ("Joint and Survivor" annuity); (2) when payments must continue for a specified period (e.g. 5 or 10 years or more) to a designated beneficiary ("Certain and Continuous" annuity); or (3) when the annuitant wants to make sure that, if he should die before his full investment has been distributed in monthly payments, an amount equal to the balance of the deposit continues to a named beneficiary ("Installment Refund" annuity).

## Source of Funds— Qualified vs. Non-Qualified

The term *qualified* (when applied to Immediate Annuities) refers to the tax status of the funds used for purchasing the annuity. These are premium dollars which until now have "qualified" for IRS exemption from income taxes. **The whole payment received each month from a qualified annuity is taxable as income (since income taxes have not yet been paid on these funds).** *Qualified* annuities may either come from corporate-sponsored retirement plans (such as Defined Benefit or Defined Contribution Plans), Lump Sum distributions from such retirement plans, or from such individual retirement arrangements as IRAs, SEPs, and Section 403(b) tax-sheltered annuities. Generally speaking, insurance companies use male/female (sex-distinct) rates to price qualified annuities in situations where the purchaser and/or owner is an *individual*. When the annuity is being purchased by a *corporation*, annuity rates are generally unisex. Some states, however, require that unisex rates be used for all qualified annuities.

*Non-qualified* immediate annuities are purchased with monies which have not enjoyed any tax-sheltered status and for which taxes have already been paid. **A part of each monthly payment is considered a return of previously**

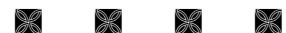
**taxed principal and therefore excluded from taxation. The amount excluded from taxes is calculated by an Exclusion Ratio, which appears on most annuity quotation sheets.** Non-qualified annuities may be purchased by employers for situations such as deferred compensation or supplemental income programs, or by individuals investing their after-tax savings accounts or money market accounts, CD's, proceeds from the sale of a house, business, mutual funds, other investments, or from an inheritance or proceeds from a life insurance settlement. While most insurance companies apply their male/female (sex-distinct) tables to non-qualified annuities, some states require the use of unisex rates for both males and females.

## How do you find the safest Insurer?

Most insurance companies are well-managed financial institutions. Many have been in existence for over a hundred years, and have prospered through good times and bad. Nevertheless, because annuities are generally held for relatively long periods, look for a company that enjoys strong financial ratings with at least two of the major ratings agencies. We recommend selecting a company that is rated at least A+ by A.M. Best, and AA or better by S&P and Moody's. You should also check the company's ratings periodically to remain confident that it continues on solid financial footing.

## Shopping for the Best Rate

Annuity Shopper Brokerage Service offers a unique comparison shopping service that closely monitors the purchase rates of all the most competitive companies, and provides this information at no charge with a single, toll-free phone call (800-872-6684). With more than twenty years' experience in consumer and corporate annuity marketing, their combination of SPIA marketing expertise and proprietary data base make them the nation's No. 1 shopping service for immediate annuities.



# How To Distribute an IRA Upon Death

Large IRAs funded by large plan rollovers are quite commonplace today. It is becoming more important than ever to correctly structure the beneficiary designation of such large IRAs as part of the annuitant's overall estate planning strategy. Both tax and non-tax considerations are reviewed when determining a married IRA owner's best course of action for designating a large IRA beneficiary.

In this article we present two approaches to the question of how to plan for the death of the IRA owner; specifically, is it better to leave the IRA proceeds payable to a spouse or to a trust?

## Approach #1

### *Naming the Spouse as the IRA Designated Beneficiary*

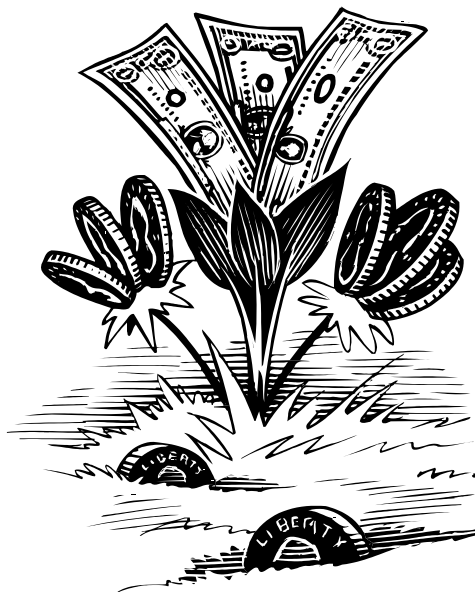
As a general rule, naming a spouse as the IRA Designated Beneficiary is good practice. In this case, upon the death of the IRA owner, the surviving spouse has the following options, all of which provide certain advantages and flexibility.

#### **1. A spouse retains great control over how the IRA proceeds will be distributed.**

Depending on the type of IRA, any number of distribution options are available. Payment could be taken by the surviving spouse as an annuity, in installments based on life expectancy, or all at once in a single sum. The spouse can retain the IRA and treat it as his or her own, or roll it over to his or her own personal IRA. The only requirement under these options is that the spouse follows the Required Minimum Distribution (RMD) rules. Flexibility in selecting settlement options is an important advantage for a spouse in need of money. Also, the income needs of a spouse can change over time especially after the death of the IRA owner. Who's in a better position to judge those needs than the surviving spouse?

#### **2. Taxes may be postponed upon the death of the IRA owner.**

The IRA automatically qualifies for the marital deduction. In total, estate, income and potential excess accumulation penalty taxes can be postponed until the death of the surviving spouse. Unless there are compelling reasons otherwise, there is no need to incur the administrative expenses associated with creating trusts to handle the proceeds. Controlling the taxation of the proceeds



is a major goal of the spouse in maintaining the IRA proceeds for his or her benefit. Down the road, the tax situation of the surviving spouse may change because of the manner the spouse utilized the IRA to his or her advantage.

#### **3. A spouse can treat the IRA as his or her own.**

If the spouse is under age 70 ½, additional deposits could flow into the IRA from a number of sources which include contributions, rollovers and transfers. When the spouse is the Designated Beneficiary of all but a *de minimus* amount of the owner's IRA, the spouse can make an election to defer the 15% excess penalty taxes. These penalty taxes come off the top and include a 15% penalty for excess

distributions made during the life of the recipient and a 15% penalty for excess accumulations upon death. This type of election is made on Schedule S of IRS Form 706. The election also applies when the spouse rolls over the proceeds into his or her IRA as outlined in item 4 below. Depending on the spouse's age and health and whether he or she has qualified money of their own, the surviving spouse may be able to structure distributions to escape these penalties down the road. For example, the younger and healthier a surviving spouse, the more likely that amounts can be drawn over time to reduce exposure to penalty taxes.

#### **4. A spouse can roll the proceeds into another IRA.**

By rolling the money into his or her own IRA, the spouse will now be able to designate new beneficiaries under the IRA. This might not be the case if the spouse retained the original IRA. The spouse would also be able to calculate RMDs in a different manner than what might otherwise be allowed in the original IRA. A surviving spouse who is much younger than the IRA owner will be able to postpone RMDs for more years than what might have been allowed under the original IRA.

#### **5. A spouse retains ultimate control over how the IRA moneys are invested.**

This allows the spouse to combine various IRAs to take advantage of investment opportunities as they develop through the use of transfers and rollovers. The ability to combine IRAs may later prove useful in disposing of the IRA proceeds upon the second death. On the other hand, if a planning need develops down the road, the spouse retains the ability to split an IRA into several IRAs.

#### **6. Marginal tax rates for a spouse will be lower than for the QTIP trust as concerns Income in Respect of the**

(Continued on page 9)

Premium	Interest Rate for 10 Policy Years	Interest Rate for 8 Policy Years	Interest Rate for 6 Policy Years	Interest Rate for 5 Policy Years
\$250,000+	6.00%	5.75%	5.25%	4.80%
\$50,000 to \$249,999	5.75%	5.50%	5.00%	4.55%

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- ✓ **Issue Ages:** 0-85; Minimum Premium: \$ 50,000. Policy is “annuitant-driven” with spousal continuation provision.
- ✓ **Penalty-Free Withdrawals:** Systematic monthly withdrawals of interest permitted after first 30 days as long as each payment is at least \$50. Also, penalty-free withdrawal of interest earned and not previously withdrawn in prior 12 months permitted. At the end of the guarantee period, there is a 30-day window during which you may make a partial or full withdrawal of the accumulated value without surrender charges (a market value adjustment may apply to the earnings credited during that 30-day period only). Withdrawals prior to age 59½ may be subject to 10% IRS tax penalty.
- ✓ **MVA and Surrender Charges:** 9% in 1st year, decreasing by 1% each year for remainder of guarantee period. A Market Value Adjustment (‘MVA’), either up or down, is also calculated. Surrender charges apply to each new guarantee period.
- ✓ **Annuitization:** Available after 1st year without surrender fees or MVA, if annuitized for a payout option of at least 60 months.
- ✓ **Death Benefit:** The Cash Surrender Value (Accumulated Value less Surrender Charges less Market Value Adjustments) is payable if taken as a lump sum. Surrender charges and MVA are waived if proceeds are paid out over at least 5 years.
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**Best: A+**  
(Superior)

**S&P: AA+**  
(Excellent)

**Moody's: Aa2**  
(Excellent)

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10 Year Rate	7 Year Rate	5 Year Rate	3 Year Rate
<b>5.25%*</b>	<b>5.24%*</b>	<b>5.30%*</b>	<b>4.03%*</b>
*Average Annual Effective Yield for 10 years 6.15% in first year, including 1.00% first-year bonus and 5.15% guaranteed yrs 2-10	*Average Annual Effective Yield for 7 years 6.10% in first year, including 1.00% first-year bonus and 5.10% guaranteed yrs 2-7	*Average Annual Effective Yield for 5 years 6.10% in first year, including 1.00% first-year bonus and 5.10% guaranteed yrs 2-5	*Average Annual Effective Yield for 3 years 4.70% in first year, including 1.00% first-year bonus and 3.70% guaranteed yrs 2-3

Interest rates effective 08/01/2002 (brochure revised 07/31/2002 8:34 PM)

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- ◆ **Issue ages:** 0-90; Min. Premium: \$ 10,000; Min. Interest Rate: 3.00% after initial 5-year interest rate guarantee period ends. Policy is “owner-driven.”
- ◆ **Availability:** Available in all states except NY, ND, OR, UT, VT, and WA. Can be purchased in neighboring states (call for details).
- ◆ **Penalty-Free Withdrawal Privileges:** Penalty-free withdrawals of all accumulated interest.
- ◆ **Recurring Surrender Charge Schedule and MVA:** The surrender charge schedule resets at the end of every interest rate guarantee period. A Market Value Adjustment (MVA) may also apply to full and partial surrenders during each interest rate guarantee period. During the 30-day period immediately preceding the end of each interest rate guarantee period, you can take partial withdrawals or surrender the policy without a surrender charge or MVA. Surrender charges and the MVA are also waived if the policy is annuitized after the second policy year for a minimum of five years. Surrender schedule: 9%-8%-7%-6%-5%-4%-3%-2%-1%.
- ◆ **Death Benefit:** The Cash Surrender Value (Accumulated Value less Surrender Charges less Market Value Adjustments) is payable if taken as a lump sum. Surrender charges and MVA are waived if proceeds are paid out over at least 5 years.
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Fidelity & Guaranty Life Insurance Company		
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# Feature Articles

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## **Decedent (IRD).**

Distributions received by an estate or beneficiary from a deceased owner's IRA are treated as Income in Respect of a Decedent. The estate or beneficiary receiving the payments reports the entire taxable amount (unless non-deductible contributions are excluded) as ordinary income in the year received. There is no step-up basis. Any direct distributions from the IRA to the spouse are taxed at the spouse's income tax rates. Under current law, trust income tax rates reach the maximum rate of 39.6 % at just \$7,500 of income while individual income tax rates don't reach this level until \$250,000. Payments which go directly to the spouse instead of the QTIP trust allow the spouse to minimize the income taxes paid on the distributions from the IRA.

## **Approach #2**

### ***Naming a QTIP Trust as the Beneficiary***

As an IRA owner wants to retain limited control of the IRA assets after death, a QTIP trust can provide an excellent mean to accomplish this. In essence, the QTIP trust forces limitations upon the spouse that would otherwise be non-existent if he or she were named the beneficiary of the IRA. Situations in which an IRA owner may want to maintain control occur when the IRA owner seeks to provide for the spouse after death and also wants to provide an inheritance to the children of this marriage. A variation would be if the IRA owner also has children from a previous marriage or marriages. The IRA owner's concern is that upon death, if the spouse later re-marries, IRA assets may end up in the hands of the new spouse and not the children the IRA owner seeks to benefit. Assets could end up in the hands of the children of the new marriage or even the children from a previous marriage of the new spouse.

IRS Revenue Ruling 89-89 provides a basic outline for how IRA distributions and a QTIP trust should be coordinated. This Revenue Ruling applied to a testamentary QTIP trust in which the IRA owner dies before his or her Required Beginning Date (RBD). After the RBD,

an irrevocable trust must be used.

An IRA can be treated as Qualified Terminable Interest Property (QTIP) if: (a) the decedent elected an IRA distribution option requiring the principal balance to be distributed in annual installments to a testamentary QTIP trust and the income earned on the undistributed IRA balance is paid annually to the trust, and (b) the trust requires that both the income earned on the undistributed portion of the IRA, and the income earned by the trust on the distributed portion of the IRA, be paid currently to the decedent's spouse for life. The above arrangement appears easy enough. However, any number of fine details can ruin the whole affair. Outlined below is a list of details or actions that must be accounted for, and followed through on, in order to reach the desired goals.

### **1. A QTIP election must be made for both the IRA and the trust to which the IRA is payable.**

The election is made using IRS Form 706, Schedule M. This is to ensure that whatever is left in the IRA and the trust is included in the estate upon the second death.

### **2. If the arrangement is not carefully structured, the marital deduction is lost.**

In order to qualify as QTIP property, the spouse must be entitled to all of the income from the property. That means annual payments from the IRA to the trust must be sufficient to cover any RMDs plus all the interest associated with the IRA accrued for the year. RMDs and interest-only payments do not coincide. A "greater than" amount should be distributed from the IRA holding the assets to the QTIP trust. The estate can claim a marital deduction for the IRA payable in installments to the QTIP trust if the QTIP distributes all income from the IRA to the spouse. In this manner the IRA serves as a conduit.

Using the "greater than" approach provides more income tax deferral than the distribution option originally outlined in Rev. Rul. 89-89. A typical "greater than" formula would provide that the IRA election call for a distri-

bution equal to the greater of:

(a) the amount distributable under the payout method otherwise in effect (at a bare minimum—the RMD), or (b) all the net income of the IRA to be paid each year to an irrevocable QTIP trust created and nominally funded during the IRA owner's life.

Another area of concern is integrating (a) the need of the trustee to increase distributions above RMDs in order to take all income with (b) the spouse's ability to turn unproductive property into productive property. In 1992, the IRS issued two Letter Rulings that provide a mechanism for coordinating these two issues. There should be no problems with the IRS if the IRA owner expressly extends the right of withdrawal to the QTIP trustee, either in the IRA beneficiary designation form or in the QTIP trust's governing instrument, and if the IRA owner also provides in the instruments that the spouse, as beneficiary of the QTIP trust, has the right to direct the QTIP trustee to make the IRA productive.

To ensure that the spouse receives all income, the QTIP trust's instrument should also provide that all trust expenses normally chargeable to corpus, including taxes payable on the IRA distributions, be charged to corpus. One additional consideration is to have the QTIP trustee authorized to elect out of withholding for any IRA distribution.

### **3. The IRA Required Minimum Distribution (RMD) rules must be followed.**

Single or joint life expectancies are critical in RMD calculations. So is the decision to recalculate or not to recalculate life expectancies. Keep in mind that the selection of a Designated Beneficiary as of the RBD affects not only how the benefits pass on at the IRA's death, but also affects the amount to be withdrawn before death. The decision whether or not to recalculate, annually, the life expectancy of the IRA owner and/or his spouse affects the amount of required distributions for years both before and after the IRA owner's death.

In general, recalculating life expectancies produces lower RMDs during the lifetime of the IRA owner

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and any beneficiary. However, minimum distributions accelerate after the death of the individual whose life expectancy is being recalculated. This is where the lifetime needs and health of the spouse play a critical role in the decision making process.

#### **4. The QTIP trust must meet four requirements.**

In order for the QTIP trust to be the Designated Beneficiary of the IRA proceeds (and thus meet the RMD rules and continued income tax deferral), four requirements must be satisfied in the following time intervals: (a) as of the IRA owner's death when death occurs before the RBD, and (b) as of the RBD if the IRA owner dies after the RBD, and (c) at all times thereafter.

The four requirements necessary for the QTIP to be considered the IRA Designated Beneficiary are as follows.

##### **(i) The QTIP trust must be valid.**

The trust must be valid under state law. Subject to state law, this requirement is satisfied if the trust is unfunded.

##### **(ii) The QTIP trust must be irrevocable.**

Revocable and testamentary trusts meet this requirement if the IRA owner dies before the RBD since these types of trusts become irrevocable upon death. However, the QTIP trust must be irrevocable as of the IRA owner's RBD if the IRA owner hasn't died by the RBD. A point to bear in mind is that, as of the RBD, a beneficiary designation (or the lack of one) fixes the maximum payout period for IRA distributions.

##### **(iii) The QTIP trust's beneficiaries must be identified in the trust instruments.**

All of the beneficiaries who are living as of the IRA owner's death or the RBD (whichever date is applicable) must be identified for purposes of determining the maximum period based on the shortest life expectancy. The life expectancy of any contingent beneficiary is disregarded in making the RMD calculation.

##### **(iv) QTIP trust documentation must be provided to the IRA trustee, custodian or annuity administrator.**

A copy of the QTIP trust's instruments must be provided to the financial institution serving as the IRA trustee, custodian or annuity administrator. This requirement must be completed as of the IRA owner's death or the RBD, depending on whether the IRA owner dies before his RBD.

##### **5. Review the IRA documents for any distribution restrictions.**

The IRA documents (generally IRS Form 5305, or 5305-A, or an annuity endorsement) should be reviewed so that any restrictions regarding installment payments to the QTIP trust are considered. In addition, clear language should be provided that while the QTIP trustee will receive the IRA payments, the spouse's life expectancy will be used as the measuring life for RMD calculations. If the IRA trustee doesn't want to change the IRA governing instruments or accept beneficiary designations, find someone who will. Usually, customized beneficiary designations must be acceptable to the financial institution.

Used in the proper situation, a QTIP trust may provide the following advantages. Estate taxes are deferred until the spouse's death. The QTIP trust arrangement qualifies for the unlimited marital deduction. An inheritance for the children designated by the IRA owner is protected and preserved. Upon the spouse's subsequent death, the IRA owner controls the ultimate disposition of the remaining assets based upon the governing trust instrument. A limited amount of income tax deferral is maintained under the arrangement. If distributions are made in installments (instead of a single lump-sum payment) from the IRA to the QTIP trust, the undistributed portion of the IRA is income tax-deferred until the time subsequent distributions are mandated because of the RMD rules or the spouse's death. Controls are placed upon the spouse preventing the

haphazard spending (for whatever reasons) of assets which would ultimately harm both the spouse and any children designated by the IRA owner to benefit under the arrangement.

There are some disadvantages to keep in mind when reviewing the need for a QTIP election. The arrangement must be carefully structured or the marital deduction is lost. The spouse as beneficiary of the QTIP trust cannot defer the 15% excess accumulation tax. If the IRA RMD rules are not followed, the IRA must be withdrawn over a period not to exceed the IRA owner's life expectancy. When compared to naming the spouse instead of the QTIP trust as the Designated Beneficiary, the mandatory income payout requirements for the QTIP trust results in less income tax deferral when the IRA payments are made in installments. IRA principal distributions retained in the trust are taxed at trust rates which will probably be higher (depending on the fact pattern) than individual rates.

#### **Conclusion**

Leaving the spouse as the Designated Beneficiary of IRA proceeds is usually the choice which provides the greatest flexibility for planning purposes. In certain situations, a QTIP trust election for IRA distributions may serve a dual purpose in providing for the spouse's remaining lifetime needs as well as ensuring an inheritance for designated children.










Premium	10 Year Rate	9 Year Rate	8 Year Rate	7 Year Rate	6 Year Rate	5 Year Rate
<b>\$100,000 +</b> Actual rate:	<b>5.92% *</b> *Annual Effective Yield 7.20% in year 1 5.20% yrs 2-10	<b>5.55% *</b> *Annual Effective Yield 10.00% in year 1 5.00% yrs 2-9	<b>5.21% *</b> *Annual Effective Yield 7.40% in year 1 4.90% yrs 2-8	<b>5.08% *</b> *Annual Effective Yield 6.80% in year 1 4.80% yrs 2-7	<b>5.46% *</b> *Annual Effective Yield 6.30% in year 1 5.30% yrs 2-6	<b>5.05% *</b> *Annual Effective 6.65% in year 1 4.65% yrs 2-5
<b>\$5,000 to \$99,999</b> Actual rate:	<b>5.82% *</b> *Annual Effective Yield 6.20% in year 1 5.20% yrs 2-10	<b>5.44% *</b> *Annual Effective Yield 9.00% in year 1 5.00% yrs 2-9	<b>5.08% *</b> *Annual Effective Yield 6.40% in year 1 4.90% yrs 2-8	<b>4.94% *</b> *Annual Effective Yield 5.80% in year 1 4.80% yrs 2-7	<b>5.30% *</b> *Annual Effective Yield 5.30% in year 1 5.30% yrs 2-6	<b>4.85% *</b> *Annual Effective 5.65% in year 1 4.65% yrs 2-5

Deposits can be distributed among guaranteed periods of 5, 6, 7, 8, 9, or 10 years. Interest rates are different for each guarantee period. Call 800-872-6684 for details. New deposits of at least \$1,000 can also be made at any time.

Interest rates effective 07/01/02 (brochure revised 07/31/2002 8:45 PM)

# Tactician Plus

A flexible premium deferred annuity with market value adjustment.

-  **No Up Front Sales Charges or Fees:** 100% of your premium earns the stated interest rate from the date it is received by the insurance company.
-  **Availability:** Tactician Plus is available in all states except NY and OR. Can be purchased in neighboring states (call for details).
-  **Issue Ages:** 0-90; Minimum Premium: \$5,000 non-qualified, \$2,000 qualified
-  **Penalty-Free Withdrawals:** Up to 10% of account value per year. Full or partial surrender during 30 day window at end of guarantee period. No surrender fees or MVA after contract has been in force 10 years. Withdrawals prior to age 59½ may be subject to 10% IRS tax penalty.
-  **MVA and Surrender Penalties:** Based upon a fixed percent charge plus a Market Value Adjustment ('MVA') depending upon the relationship between the base interest rate at time of issue and effective rate for new policies on the date of withdrawal or surrender. Surrender schedule per year: 8%-8%-8%-7%-6%-5%-4%-3%-2%-1%-0%.
-  **Nursing Home Waiver:** Available in most states..
-  **Death Benefit:** The total of the policy account values.

<b>Lincoln Benefit Life Company</b> a subsidiary of Allstate Life insurance Company and Allstate Corporation		
<b>Best: A+</b> (Superior)	<b>S&amp;P: AA+</b> (Excellent)	<b>Moody's: n/a</b> (no Moody's rating)

Offered through WebAnnuities.com. Call 800-872-6684

For agent use only. Not intended to create public interest in the sale of annuities. Rates are subject to change.  
Product/features not available in all states. Please read company brochures for policy details.

6 Year Rate	5 Year Rate
<b>5.52%*</b> *Annual Effective Yield 6.35% in first year, including 1.00% first-year bonus and 5.35% guaranteed in years 2-6. Optional Death Benefit rate is 6.20%/5.20%	<b>5.10%*</b> *Annual Effective Yield 5.10% in all 5 years Optional Death Benefit rate is 4.95%

Interest rates effective 07/01/2002 (brochure revised 07/31/2002 8:45 PM)

# Pilot Gold 5 - Gold 6

A single premium deferred annuity with Market Value Adjustment (MVA) (Policy Form 94-521)

- ◆ **No Up Front Sales Charges or Fees:** 100% of your premium earns the stated interest rate from the date it is received by the insurance company.
- ◆ **Availability:** Gold 5 is available in all states except NJ, NY, OR, PA, SC, UT, and WA. Can be purchased in neighboring states (call for details).
- ◆ **Issue ages:** 0-85; Min. Premium: \$ 10,000; Min. Interest Rate: 3.00% after initial 5-year interest rate guarantee period ends. Policy is "owner-driven."
- ◆ **Penalty-Free Withdrawal Privileges:** 10% Penalty-free withdrawals beginning 2nd yr. Systematic monthly withdrawals of interest after only 30 days. Nursing home waiver available in most states. Withdrawals prior to age 59½ may be subject to a 10% Federal penalty tax.
- ◆ **Recurring Surrender Charge Schedule and MVA:** The surrender charge schedule resets at the end of the interest rate guarantee period. A Market Value Adjustment (MVA) may also apply to full and partial surrenders during each interest rate guarantee period. During the 30-day period immediately preceding the end of each interest rate guarantee period, you can take partial withdrawals or surrender the policy without a surrender charge or MVA. Surrender charges and the MVA are also waived if the policy is annuitized after the second policy year for a minimum of five years. 5-year surrender schedule: 8%-8%-7%-6%-5%.
- ◆ **Optional Death Benefit:** Beneficiary receives accumulation value without the MVA or a surrender charge. Must be elected at the time policy is purchased (reduces the base interest rate by 0.15% in all policy years).
- ◆ **Free Look:** Policy can be returned for a full refund of premium within 20 days of receipt.



Jefferson-Pilot Life Insurance Company		
<b>Best: A++</b> (Superior)	<b>S&amp;P: AAA</b> (Superior)	<b>Moody's: Aa2</b> (Excellent)

Offered through WebAnnuities.com. Call 800-872-6684

For agent use only. Not intended to create public interest in the sale of annuities. Rates are subject to change.  
 Product/features not available in all states. Please read company brochures for policy details.

# 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 presentation of complete

*(Continued on page 15)*

Allied Medical Group \$836,000 • Amalgamated Steel Company \$728,000 • American Capital Corp \$3,533,000 • American Int'l Container \$112,000 • American Paper Products \$2,253,000 • American Technical Industries \$668,000 • American Trust & Savings \$227,000 • Argo Delta Marine \$520,000 • Armstrong Industries, Inc. \$3,000,000 • Astronet \$324,000 • Ayres Corporation \$314,000 • Auburn Memorial Hospital \$5,049,000 • Barco Banking Corporation \$1,846,000 • Bayer Clothing \$543,000 • Berks Products Corp \$163,000 • Boca Raton Comm. Church \$351,000 • Brent Chemicals \$300,000 • Brostrom \$101,000 • Bruce-Rogers Company \$1,003,000 • Bulova Watch Company \$ 56,153,000 • C.M. Smillie \$350,000 • California Microwave \$433,000 • Canaan National Bank \$644,000 • Carl Svenson \$846,000 • Carter Ledyard \$600,000 • Charles Jourdan Boutique \$310,900 • Children's Hospital \$132,000 • City of Ada Retirement Plan \$419,000 • City of Tarpon Springs \$1,225,000 • City of Canyon City \$377,000 • City of Treasure Island \$148,000 • Claxton Manufacturing \$241,000 • Coastal Iron Works \$ 370,000 • Cohn-Daniel \$218,000 • Consolidated Lumber \$511,000 • Conway Memorial Hospital \$329,000 • Cornell Young \$434,000 • Coulter Corporation \$16,035,000 • Courier \$108,000 • Cummins \$1,474,000 • D & B Steel Corporation \$245,000 • Delaware Mutual Insurance Co. \$382,000 • Dispatch Printing \$122,000 • Ear Nose & Throat Clinic \$872,000 • Dyco Petroleum \$3,391,000 • Easter Seals of Washington \$529,000 • El Día, Inc. \$156,200 • Electrographic \$1,204,000 • Electronic Associates, Inc. \$10,000,000 • Facile Holdings, Inc. \$246,000 • Family Services of Philadelphia \$425,000 • Farmers National Bank \$243,000 • Faxton Children's Hospital \$3,187,000 • Fenestra Corporation \$1,561,000 • First City Bank Corporation \$2,669,000 • First Federal of Charleston \$2,162,000 • First Natl Bank of Dubuque \$341,000 • First Natl Bank of New Boston \$1,055,000 • First Natl Bank of Okmulgee \$836,000 • First Philson \$227,000 • Fishburn Dry Cleaners \$1,361,000 • Foodhaven \$1,301,000 • Freeman Manufacturing \$235,000 • Fuller Group \$642,000 • Gates Albert, Inc. \$336,000 • Geo. Spengler \$315,000 • Gerlach \$976,000 • Gratiot

Hospital \$1,150,000 •  
Gray & Sons \$1,312,000 •  
Ground Pat'i \$199,000 •  
Gump \$1,038,000 •  
Ham \$1,038,000 •  
\$184,000 •  
Machus \$1,038,000 •  
Harte Hanks \$237,000 •  
\$940,000 •  
Chemical \$237,000 •  
\$3,292,000 •  
\$1,275,000 •

**Who did these top 500 corporations rely on for help with finding the safest, most competitive group annuities? They all contacted Annuity Shopper Brokerage Services (WebAnnuities.com). To learn more about our group annuity services call Hersh Stern at 800-872-6684.**

\$1,150,000 •  
\$1,312,000 •  
\$199,000 •  
\$1,038,000 •  
Sanitation Harris O. \$237,000 •  
Radio, Inc. \$237,000 •  
Hawkeye Corp \$237,000 •  
Henry Vale Hills &

Dales Gen'l Hospital \$445,000 • Hoche, Inc. \$569,000 • Holstein Association \$5,535,000 • Holt Krock Clinic \$8,161,000 • Huntington \$201,000 • IBEW #78070 Retire. Plan \$2,200,000 • IBEW #78071 Retire. Plan \$700,000 • ITT Grinnell, Inc. \$684,000 • Independent Bankshares \$2,300,000 • Isabella Nursing Home \$128,000 • J. Gus Lallande \$677,000 • Jersey Mortgage Company \$2,800,000 • John Hassall \$2,800,000 • Joyce Dayton \$303,000 • KAL Equipment \$219,000 • Kaye International \$842,000 • Kiefaber \$394,000 • Klaus Radio \$763,000 • LA County Retirement Plan \$657,000 • Largent Roofing \$611,000 • Lark Luggage, Inc. \$399,000 • Laurentian Capital \$2,152,000 • Liberty Glass \$273,000 • Lindell Trust Co. \$263,000 • Lion Ribbon Company \$2,279,000 • Lorden Distributing \$241,000 • Louis G. Freeman Co. \$303,000 • Madison Community Hospital \$118,000 • Mahoning Valley \$431,000 • Malabar-Art Mall \$1,008,000 • Mansfield Screw, Inc. \$222,000 • Marine Bank Wisconsin West \$450,000 • McCabe Powers \$2,358,000 • McCall Pattern, Inc. \$5,906,000 • Michigan Hospital \$384,000 • Microdot \$20,682,000 • Mid-Dakota Clinic \$120,000 • Midwest Body \$961,000 • Milwaukee Jewish Home \$230,000 • Mosley Manufacturing \$319,000 • NH Distributors \$1,191,000 • National Mutual Benefit \$705,000 • Nationwide Advertising Co. \$1,318,000 • Nelson Pontiac \$407,000 • No. Amer. Brass & Aluminum \$684,000 • No. Chicago Hebrew Congreg. \$567,000 • Northern Pump Company \$1,698,000 • O.K. Feed Co. \$836,000 • Pandora, Inc. \$2,829,000 • Panola General Hospital \$260,000 • Pasadena Refinishing \$206,000 • Penn Ventilator \$438,000 • Pennock Hospital \$1,170,000 • Peoples Bank \$559,000 • Pennsylvania Shipbuilding \$1,213,000 • Phillip Brothers \$3,220,000 • Pittsburgh Tube \$4,711,000 • Platt Saco Lowell, Inc. \$7,700,000 • Plyfiber \$273,000 • Printing Industries of America \$457,000 • Prior Chemical \$812,000 • Queens Steinway \$776,000 • RTC Transport \$1,270,000 • Ranken-Jordan Home \$422,000 • Richardson Vicks \$491,000 • Riverside \$136,000 • Rock Island Bank \$461,000 • SIA America \$3,768,000 • SMACNA \$312,000 • Sager Spuck \$206,000 • Saint Therese Hospital \$6,075,000 • Samuel Bingham Company \$3,762,000 • Schneller \$533,000 • Schumacher & Co. \$1,806,000 • Servend \$544,000 • Sharpsville \$418,000 • South Jersey Hospitals \$583,000 • Star Manufacturing \$1,285,000 • Stephan Company \$5,302,000 • Stonewall Jackson Hospital \$270,000 • Struthers Dunn, Inc. \$3,843,000 • Suit-Kote \$304,000 • Supermercados Co-op \$335,000 • Tokio Marine \$942,000 • Union National Bank \$2,933,000 • United Hospitals of Newark \$6,497,000 • Velcro Corporation \$737,000 • \$2,476,000 • Virgin Islands Rum Co. \$191,000 • Waber-Odell \$832,000 • Walker Art Center \$102,000 • Warren Hospital \$550,000 • Wickes Furniture Company \$18,000,000 • Woonsocket Fogarty Hosp. \$7,315,000 • Work-O-Lite \$675,000 • YMCA of Metropolitan Dallas \$393,900 • Youngstown Welding Corp. \$7,953,000

# Terminal Funding Annuities

*(Continued from page 13)*

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.

# Life Expectancy

## Understanding Life Expectancy

One of the biggest worries for Americans at or near retirement age is whether their financial resources will support them for the rest of their lives. No doubt the main reason for this concern is that when we reach our retirement years, most of us are not able to continue adding significantly to our existing assets, and, therefore, we must rely on whatever savings we have already accumulated along with other sources of income that may be available, such as a retirement pension or Social Security benefits. Two additional factors are: (1) What effect will inflation have on the future value of our assets? and (2) How long can we expect to live? If only we knew the answers to these questions, we could manage our money much more effectively over our remaining years. Even though we can't answer either of them with any certainty, having a better understanding of life expectancy does help in planning for retirement needs.

Life expectancy is a concept that many people use but few correctly understand. At the risk of sounding overly technical, life expectancy is a statistical projection of the length of an individual's life span based upon probabilities and assumptions of living conditions, medical discoveries and advances, natural disasters and other affecting factors.

There are two basic kinds of life expectancy tables—one projects average years of life remaining for an individual of a given age, the other projects the average number of years of life for all persons born in a given year. An example of the latter is that, in 1996, the average life expectancy at birth in the United



States was 76 years.

But what does the 1996 U.S. life expectancy of 76 years really mean? Should we expect that most children born in the United States in 1996 will actually live to age 76, on average? Not really. As an infant born that year proceeds through life, mortality conditions change significantly. The death rate is relatively high during an infant's vulnerable first year of life. After that, it declines throughout childhood and early adolescence before starting an inexorable climb to a towering peak after age 85. As far as the Grim Reaper is concerned, Americans are most elusive at ages 10 and 11 (when only one out of every 5,000

people dies), and they are most vulnerable at age 122 when virtually everyone has been "harvested."

Age-specific death rates refer to the number of deaths of persons within a specific age group divided by the total number of people in that age group. This can also be expressed as the probability of dying at a given age. These probabilities are used to construct a life table, or actuarial table, which can then be used to calculate life expectancy at birth or at any other age.

Strange as it may sound, in actuarial terms the older you get the more likely you are to live beyond what your life expectancy was at an earlier age. For example, the tables currently used by the Department of Treasury for annuities project that a male age 50 will live another twenty-five years. Does this mean he won't live past age 75? Not really. Using the same actuarial table, if he lives to age 65, his life expectancy now becomes fifteen years. In other words, while the number of years a person is expected to live does decrease with age, it does not decrease in direct proportion to the number of years he continues to live. Not only that, as medical research continues to advance, it is not unreasonable to think that someone who turns eighty twenty years from now who doesn't smoke but does maintain a healthy weight, does exercise, and does follow a good diet might live well into his or her nineties.

# IMMEDIATE ANNUITY REQUESTS



Fax to 732-521-5113



Call 800-872-6684

**From:** Name \_\_\_\_\_ Firm \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

*Please complete below with as much detail as possible.*

Annuitant's Name (optional) \_\_\_\_\_ State of Residence \_\_\_\_\_

Primary's Date of Birth \_\_\_\_\_ Sex \_\_\_\_\_ \*Smoker? Circle if YES  
\*Smoker is someone who smokes at least 10 cigarettes a day for last 10 years

Secondary's Date of Birth \_\_\_\_\_ Sex \_\_\_\_\_ \*Smoker? Circle if YES

Re: Medical Underwriting— Is there a life impairing condition? Details: \_\_\_\_\_

Date annuity will be purchased \_\_\_\_\_ ( ) Not for actual purchase.

Date Income Commences \_\_\_\_\_ ( ) 1 month ( ) backpay from \_\_\_\_\_

Source of Funds: (Check one) \* ( ) Employer-Qual. (eq) ( ) Individual-Qual. IRA (iq) ( ) Individ. - Qual. TSA (iq)  
\* ( ) Employer - Non-Qual. (en) ( ) Individual - Non-Qualified (in)

\*If employer funds, indicate state where employer is located:

\*If employer funds, indicate who will OWN the policy/certificate after it is issued: ( ) employer-owns ( ) employee-owns

Payment Mode: ( ) Monthly ( ) Quarterly ( ) Semi-annually ( ) Annually  
(Complete one)

Premium to deposit \$ \_\_\_\_\_ OR Income to receive \$ \_\_\_\_\_

TOTAL # QUOTES REQUESTED:

**Pd. Certain** ( ) \_\_\_\_\_ yrs PC no life ( ) \_\_\_\_\_ yrs PC no life ( ) \_\_\_\_\_ yrs PC no life

**Single Life on Primary Annuitant** ( ) Straight Life ( ) Cash refund ( ) Installment refund

( ) \_\_\_\_\_ Yrs Certain & Life ( ) \_\_\_\_\_ Yrs Certain & Life ( ) \_\_\_\_\_ Yrs Certain & Life

**Joint Lives** ( ) J& \_\_\_\_\_ %S with \_\_\_\_\_ ( ) J& \_\_\_\_\_ %S with \_\_\_\_\_  
( ) J& \_\_\_\_\_ %S with \_\_\_\_\_ ( ) J& \_\_\_\_\_ %S with \_\_\_\_\_

(Check a or b) :

(a) \_\_\_\_\_ J&S reduces on EITHER death  
(ie., whenever either annuitant dies)

(b) \_\_\_\_\_ J&S reduces only on  
death of primary annuitant

**Additional Notes:**

# 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

**T**he immediate annuity factors (also called “purchase rates”) shown in **Tables 1 through 13** 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 sex of the annuitant.

**Tables 2 through 9** illustrate purchase rates for Single Life Annuities. In separate tables we report the factors for males and females ranging from age 50 through age 85 in 5 year intervals. Each table distinguishes between purchase rates for males and females, 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).

In some cases, the tax status of the funds used to buy an annuity directly can influence the purchase rates insurance companies will apply to a deposit. Our rate tables are based on the assumption that “**Non-Qualified**” are being used. Since a number of insurance companies will pay a somewhat different income for the same dollar deposit if the funds are “**Qualified**,” it is important to know which type of funds are being used to purchase an immediate annuity.

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 85. 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 10 through 13** provide the purchase rates for Joint and Survivor Annuities (“J&S”) for a male/female couple ages 60/57 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 (Non-Qualified)**

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	5 Years PC	10 Years PC	15 Years PC	20 Years PC	25 Years PC	30 Years PC
Allianz LIC/No. America 90611	\$17.95	\$10.10	\$ 7.89	\$ 6.86	\$ 6.12	\$ 5.66
American Gen LIC (AIG) 60488	\$17.72	\$10.63	\$ 8.29	\$ 7.19	\$ 6.54	\$ 6.12
Canada Life Assurance 80659	\$17.92	\$10.26	\$ 8.22	\$ 7.05	\$ 6.38	-
Conseco Annuity Assurance 60682	\$17.75	\$10.10	\$ 7.58	\$ 6.38	-	-
Fidelity & Guaranty LI 63274	\$17.59	\$10.24	\$ 8.01	\$ 7.00	\$ 6.46	\$ 6.13
GE Capital Assurance 70025	\$18.13	\$10.59	\$ 8.21	\$ 7.09	\$ 6.45	\$ 5.49
Jefferson Pilot 67865	\$17.60	\$10.19	\$ 7.88	\$ 6.81	\$ 6.22	\$ 5.86
Lincoln Benefit Life Co. 65595	\$ 17.83	\$ 10.68	\$ 8.17	\$ 6.99	\$ 6.32	\$ 5.91



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

London Pacific L&A 68934	\$17.84	\$10.26	\$ 7.92	\$ 6.88	\$ 6.20	\$ 5.78
Metropolitan LIC 65978	\$ 17.12	\$ 9.75	\$ 7.49	\$ 6.46	\$ 6.07	\$ 5.60
Peoples Benefit LIC 66605	\$17.67	\$10.19	\$ 7.90	\$ 6.88	\$ 6.23	\$ 5.85
Presidential LIC 68039	\$18.11	\$10.59	\$ 8.20	\$ 7.08	\$ 6.47	\$ 6.10
Principal LIC 61271	\$18.18	\$10.53	\$ 8.12	\$ 6.96	\$ 6.42	\$ 6.04
Security Benefit LIC 68675	\$18.20	\$10.31	\$ 7.98	\$ 6.76	\$ 6.03	\$ 5.63
United of Omaha 69868	\$17.49	\$10.25	\$ 7.96	\$ 6.86	\$ 6.20	\$ 5.80
USG Annuity & Life 61247	\$18.13	\$10.71	\$ 8.37	\$ 7.22	-	-

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

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# Immediate Annuities Update

Table 2. Single Life Annuities — Age 50 (Non-Qualified Funds)

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$ 6.27	\$ 6.20	\$ 6.05	\$ 6.01	\$ 5.98	\$ 5.97
American Gen LIC (AIG) 60488	\$ 6.14	\$ 6.08	\$ 5.96	\$ 5.96	\$ 5.90	\$ 5.83
Canada Life Assurance 80659	\$ 6.05	\$ 5.98	\$ 5.83	\$ 5.69	\$ 5.67	\$ 5.59
Conseco Annuity Assurance 60682	\$ 5.99	\$ 5.92	\$ 5.77	\$ 5.64	\$ 5.61	\$ 5.54
Fidelity & Guaranty LI 63274	\$ 6.46	\$ 6.35	\$ 6.15	\$ 6.11	\$ 6.07	\$ 5.98
GE Capital Assurance 70025	\$ 6.04	\$ 6.00	\$ 5.89	\$ 5.84	\$ 5.81	\$ 5.76
Jefferson Pilot 67865	\$ 6.02	\$ 5.96	\$ 5.81	\$ 5.78	\$ 5.75	\$ 5.67
Lincoln Benefit Life Co. 65595	\$ 5.92	\$ 5.87	\$ 5.75	\$ 5.75	\$ 5.73	\$ 5.65
London Pacific Life & Annuity 68934	\$ 5.66	-	-	\$ 5.41	-	-



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

Metropolitan LIC 65978	\$ 5.79	\$ 5.73	\$ 5.61	\$ 5.51	\$ 5.49	\$ 5.44
National Guardian LIC <sup>1</sup> 66583	\$ 5.77	\$ 5.71	\$ 5.57	\$ 5.52	\$ 5.49	\$ 5.41
Peoples Benefit LIC 66605	\$ 5.89	\$ 5.83	\$ 5.70	\$ 5.63	\$ 5.60	\$ 5.55
Presidential LIC 68039	\$ 6.25	\$ 6.18	\$ 6.03	\$ 5.98	\$ 5.95	\$ 5.87
Principal LIC 61271	\$ 6.07	\$ 6.01	\$ 5.89	\$ 5.90	\$ 5.87	\$ 5.80
Security Benefit LIC 68675	\$ 5.54	\$ 5.49	\$ 5.39	\$ 5.26	\$ 5.24	\$ 5.38
United of Omaha 69868	\$ 5.92	\$ 5.89	\$ 5.77	\$ 5.77	\$ 5.75	\$ 5.70
USG Annuity & Life 61247	\$ 6.18	\$ 6.11	\$ 5.97	\$ 5.89	\$ 5.86	\$ 5.78

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 3. Single Life Annuities — Age 55 (Non-Qualified Funds)**  
Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$ 6.53	\$ 6.41	\$ 6.20	\$ 6.29	\$ 6.23	\$ 6.17
American Gen LIC (AIG) 60488	\$ 6.49	\$ 6.39	\$ 6.18	\$ 6.23	\$ 6.18	\$ 6.04
Canada Life Assurance 80659	\$ 6.45	\$ 6.34	\$ 6.08	\$ 6.01	\$ 5.96	\$ 5.83
Conseco Annuity Assurance 60682	\$ 5.74	\$ 5.63	\$ 5.36	\$ 5.28	\$ 5.23	\$ 5.10
Fidelity & Guaranty LI 63274	\$ 6.81	\$ 6.63	\$ 6.32	\$ 6.36	\$ 6.27	\$ 6.14
GE Capital Assurance 70025	\$ 6.38	\$ 6.31	\$ 6.13	\$ 6.12	\$ 6.08	\$ 5.98
Jefferson Pilot 67865	\$ 6.36	\$ 6.25	\$ 6.01	\$ 6.05	\$ 5.99	\$ 5.86
Lincoln Benefit Life Co. 65595	\$ 6.27	\$ 6.18	\$ 5.97	\$ 6.04	\$ 5.98	\$ 5.84
London Pacific Life & Annuity 68934	\$ 6.00	-	-	\$ 5.68	-	-



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

Metropolitan LIC 65878	\$ 6.08	\$ 5.99	\$ 5.80	\$ 5.73	\$ 5.69	\$ 5.59
National Guardian LIC <sup>1</sup> 66583	\$ 6.12	\$ 6.03	\$ 5.79	\$ 5.80	\$ 5.75	\$ 5.62
Peoples Benefit LIC 66605	\$ 6.23	\$ 6.13	\$ 5.92	\$ 5.90	\$ 5.85	\$ 5.76
Presidential LIC 68039	\$ 6.60	\$ 6.49	\$ 6.25	\$ 6.28	\$ 6.22	\$ 6.08
Principal LIC 61271	\$ 6.37	\$ 6.27	\$ 6.07	\$ 6.15	\$ 6.09	\$ 5.97
Security Benefit LIC 68675	\$ 5.86	\$ 5.78	\$ 5.60	\$ 5.49	\$ 5.46	\$ 5.38
United of Omaha 69868	\$ 6.29	\$ 6.21	\$ 5.99	\$ 6.04	\$ 6.01	\$ 5.90
USG Annuity & Life 61247	\$ 6.58	\$ 6.47	\$ 6.23	\$ 6.23	\$ 6.17	\$ 6.04

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 4. Single Life Annuities — Age 60 (Non-Qualified Funds)**

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$ 6.97	\$ 6.78	\$ 6.36	\$ 6.58	\$ 6.47	\$ 6.31
American Gen LIC (AIG) 60488	\$ 6.96	\$ 6.79	\$ 6.44	\$ 6.63	\$ 6.53	\$ 6.30
Canada Life Assurance 80659	\$ 7.00	\$ 6.81	\$ 6.37	\$ 6.43	\$ 6.34	\$ 6.11
Conseco Annuity Assurance 60682	\$ 6.32	\$ 6.14	\$ 5.65	\$ 5.73	\$ 5.65	\$ 5.40
Fidelity & Guaranty LI 63274	\$ 7.27	\$ 7.00	\$ 6.50	\$ 6.70	\$ 6.58	\$ 6.33
GE Capital Assurance 70025	\$ 6.85	\$ 6.72	\$ 6.40	\$ 6.52	\$ 6.44	\$ 6.24
Jefferson Pilot 67865	\$ 6.81	\$ 6.63	\$ 6.23	\$ 6.42	\$ 6.32	\$ 6.08
Lincoln Benefit Life Co. 65595	\$ 6.75	\$ 6.59	\$ 6.23	\$ 6.43	\$ 6.33	\$ 6.09
London Pacific Life & Annuity 68934	\$ 6.47	-	-	\$ 6.05	-	-



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

Metropolitan LIC 65878	\$ 6.49	\$ 6.34	\$ 6.01	\$ 6.03	\$ 5.96	\$ 5.80
National Guardian LIC <sup>1</sup> 66583	\$ 6.61	\$ 6.45	\$ 6.04	\$ 6.20	\$ 6.11	\$ 5.87
Peoples Benefit LIC 66605	\$ 6.70	\$ 6.54	\$ 6.12	\$ 6.29	\$ 6.21	\$ 5.98
Presidential LIC 68039	\$ 7.08	\$ 6.89	\$ 6.48	\$ 6.66	\$ 6.56	\$ 6.31
Principal LIC 61271	\$ 6.80	\$ 6.64	\$ 6.29	\$ 6.50	\$ 6.41	\$ 6.19
Security Benefit LIC 68675	\$ 6.29	\$ 6.17	\$ 5.86	\$ 5.82	\$ 5.76	\$ 5.61
United of Omaha 69868	\$ 6.79	\$ 6.64	\$ 6.24	\$ 6.43	\$ 6.35	\$ 6.13
USG Annuity & Life 61247	\$ 7.10	\$ 6.92	\$ 6.51	\$ 6.67	\$ 6.57	\$ 6.33

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 5. Single Life Annuities — Age 65 (Non-Qualified Funds)**

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$ 7.52	\$ 7.17	\$ 6.56	\$ 7.07	\$ 6.87	\$ 6.54
American Gen LIC (AIG) 60488	\$ 7.64	\$ 7.31	\$ 6.69	\$ 7.18	\$ 6.99	\$ 6.50
Canada Life Assurance 80659	\$ 7.77	\$ 7.41	\$ 6.64	\$ 7.02	\$ 6.85	\$ 6.42
Conseco Annuity Assurance 60682	\$ 7.03	\$ 6.70	\$ 5.90	\$ 6.30	\$ 6.14	\$ 5.69
Fidelity & Guaranty LI 63274	\$ 7.93	\$ 7.47	\$ 6.70	\$ 7.19	\$ 7.00	\$ 6.56
GE Capital Assurance 70025	\$ 7.52	\$ 7.27	\$ 6.68	\$ 7.07	\$ 6.92	\$ 6.53
Jefferson Pilot 67865	\$ 7.47	\$ 7.13	\$ 6.44	\$ 6.94	\$ 6.76	\$ 6.32
Lincoln Benefit Life Co. 65595	\$ 7.44	\$ 7.14	\$ 6.51	\$ 6.97	\$ 6.79	\$ 6.36
London Pacific Life & Annuity 68934	\$ 7.16	-	-	\$ 6.59	-	-



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

Metropolitan LIC 65878	\$ 7.09	\$ 6.79	\$ 6.22	\$ 6.45	\$ 6.32	\$ 6.03
National Guardian LIC <sup>1</sup> 66583	\$ 7.31	\$ 7.00	\$ 6.29	\$ 6.76	\$ 6.59	\$ 6.15
Peoples Benefit LIC 66605	\$ 7.39	\$ 7.09	\$ 6.35	\$ 6.84	\$ 6.69	\$ 6.24
Presidential LIC 68039	\$ 7.76	\$ 7.42	\$ 6.71	\$ 7.20	\$ 7.01	\$ 6.57
Principal LIC 61271	\$ 7.44	\$ 7.14	\$ 6.52	\$ 7.02	\$ 6.85	\$ 6.43
Security Benefit LIC 68675	\$ 6.93	\$ 6.68	\$ 6.13	\$ 6.29	\$ 6.18	\$ 5.90
United of Omaha LIC 69868	\$ 7.53	\$ 7.21	\$ 6.48	\$ 6.99	\$ 6.82	\$ 6.38
USG Annuity & Life 61247	\$ 7.84	\$ 7.49	\$ 6.78	\$ 7.27	\$ 7.08	\$ 6.63

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 6. Single Life Annuities — Age 70 (Non-Qualified Funds)**

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$ 8.41	\$ 7.72	\$ 6.69	\$ 7.78	\$ 7.40	\$ 6.69
American Gen LIC (AIG) 60488	\$ 8.62	\$ 7.95	\$ 6.91	\$ 7.98	\$ 7.60	\$ 6.85
Canada Life Assurance 80659	\$ 8.85	\$ 8.12	\$ 6.85	\$ 7.86	\$ 7.51	\$ 6.71
Conseco Annuity Assurance 60682	\$ 7.85	\$ 7.27	\$ 6.08	\$ 6.96	\$ 6.68	\$ 5.93
Fidelity & Guaranty LI 63274	\$ 8.90	\$ 8.06	\$ 6.86	\$ 7.97	\$ 7.59	\$ 6.77
GE Capital Assurance 70025	\$ 8.51	\$ 7.97	\$ 6.89	\$ 7.88	\$ 7.55	\$ 6.79
Jefferson Pilot 67865	\$ 8.43	\$ 7.74	\$ 6.62	\$ 7.71	\$ 7.33	\$ 6.55
Lincoln Benefit Life Co. 65595	\$ 8.45	\$ 7.85	\$ 6.73	\$ 7.76	\$ 7.49	\$ 6.62
London Pacific Life & Annuity 68934	\$ 8.16	-	-	\$ 7.38	-	-

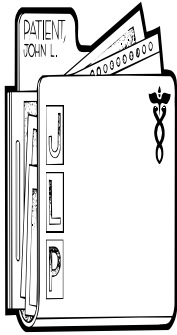


**Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.**

Metropolitan LIC 65878	\$ 7.95	\$ 7.36	\$ 6.41	\$ 7.08	\$ 6.82	\$ 6.26
National Guardian LIC <sup>1</sup> 66583	\$ 8.32	\$ 7.67	\$ 6.49	\$ 7.58	\$ 7.23	\$ 6.41
Peoples Benefit LIC 66605	\$ 8.23	\$ 7.63	\$ 6.62	\$ 7.49	\$ 7.19	\$ 6.56
Presidential LIC 68039	\$ 8.75	\$ 8.07	\$ 6.90	\$ 7.97	\$ 7.60	\$ 6.80
Principal LIC 61271	\$ 8.36	\$ 7.76	\$ 6.71	\$ 7.77	\$ 7.43	\$ 6.66
Security Benefit LIC 68675	\$ 7.84	\$ 7.34	\$ 6.39	\$ 6.97	\$ 6.75	\$ 6.21
United of Omaha 69868	\$ 8.50	\$ 7.83	\$ 6.66	\$ 7.75	\$ 7.41	\$ 6.59
USG Annuity & Life 61247	\$ 8.87	\$ 8.16	\$ 6.99	\$ 8.11	\$ 7.73	\$ 6.90

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

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



# *Rated Age or Medically Underwritten Immediate Annuities*

Medical underwriting allows an annuitant to be rated OLDER than his or her chronological age. An immediate annuity based on a rated age will provide higher income than one based on the person's actual age. This is because the insurance company does not expect the annuitant to live as long as the average person of the same chronological age. In brief, the shorter the life expectancy, the higher the income.

To obtain a thorough underwriting you should submit copies of the original reports that were written at the time of significant examinations, consultations, assessments, diagnostic tests, hospitalizations, surgeries, rehabilitation and other treatments. These original reports can usually be obtained from attending physicians and other medical specialists, and from hospital admissions and discharge departments. The most useful reports are those which were written at the time of the examination or hospitalization. It is very productive to submit voluminous reports of this type to the medical underwriter.

If copies of the aforementioned medical records are not available to you, you can submit a summary of the significant information. However, since the insurance companies *prefer* to receive copies of the original information they will often decline to underwrite an annuity when they only receive a summary document.

In order to start the underwriting process you will also be asked to sign and return an Authorization to Release Information form.

**If you have a rated age annuity that you would like to review with us, call Hersh Stern at [WebAnnuities.com](http://WebAnnuities.com):**

**800-872-6684**

# Immediate Annuities Update

**Table 7. Single Life Annuities — Age 75 (Non-Qualified Funds)**

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$ 9.57	\$ 8.26	\$ 6.77	\$ 8.82	\$ 8.00	\$ 6.80
American Gen LIC (AIG) 60488	\$ 9.98	\$ 8.66	\$ 7.08	\$ 9.19	\$ 8.36	\$ 7.04
Canada Life Assurance 80659	\$10.33	\$ 8.89	\$ 6.98	\$ 9.10	\$ 8.33	\$ 6.92
Conseco Annuity Assurance 60682	\$ 9.05	\$ 7.97	\$ 6.23	\$ 7.99	\$ 7.42	\$ 6.15
Fidelity & Guaranty LI 63274	\$ 10.33	\$ 8.74	\$ 6.96	\$ 9.18	\$ 8.32	\$ 6.92
GE Capital Assurance 70025	\$10.02	\$ 8.80	\$ 7.02	\$ 9.11	\$ 8.25	\$ 6.97
Jefferson Pilot 67865	\$ 9.77	\$ 8.42	\$ 6.73	\$ 8.88	\$ 8.06	\$ 6.70
Lincoln Benefit Life Co. 65595	\$ 9.97	\$ 8.67	\$ 6.88	\$ 8.97	\$ 8.19	\$ 6.82
London Pacific Life & Annuity 68934	\$ 9.55	-	-	\$ 8.61	-	-



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

Metropolitan LIC 65878	\$ 9.16	\$ 8.02	-	\$ 8.04	\$ 7.47	-
National Guardian LIC <sup>1</sup> 66583	\$ 9.72	\$ 8.42	\$ 6.62	\$ 8.81	\$ 8.03	\$ 6.59
Peoples Benefit LIC 66605	\$ 9.46	\$ 8.27	\$ 6.83	\$ 8.54	\$ 7.88	\$ 6.83
Presidential LIC 68039	\$10.20	\$ 8.81	\$ 7.01	\$ 9.15	\$ 8.35	\$ 6.97
Principal LIC 61271	\$ 9.62	\$ 8.42	\$ 6.79	\$ 8.89	\$ 8.13	\$ 6.77
Security Benefit LIC 68675	\$ 9.11	\$ 8.10	\$ 6.59	\$ 8.00	\$ 7.50	\$ 6.48
United of Omaha LIC 69868	\$ 9.75	\$ 8.45	\$ 6.77	\$ 8.86	\$ 8.09	\$ 6.74
USG Annuity & Life 61247	\$10.28	\$ 8.88	\$ 7.13	\$ 9.36	\$ 8.51	\$ 7.09

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 8. Single Life Annuities — Age 80 (Non-Qualified Funds)

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$11.24	\$ 8.82	\$ 6.86	\$10.42	\$ 8.65	\$ 6.87
American Gen LIC (AIG) 60488	\$ 11.93	\$ 9.37	\$ 7.15	\$11.03	\$ 9.19	\$ 7.14
Canada Life Assurance 80659	\$12.38	\$ 9.60	\$ 7.03	\$10.92	\$ 9.20	\$ 7.02
Conseco Annuity Assurance 60682	\$10.62	\$ 8.65	\$ 6.31	\$ 9.43	\$ 8.23	\$ 6.28
Fidelity & Guaranty LI 63274	\$12.46	\$ 9.42	\$ 7.00	\$11.03	\$ 9.10	\$ 6.98
GE Capital Assurance 70025	\$12.40	\$ 9.56	\$ 7.08	\$11.04	\$ 9.21	\$ 7.06
Jefferson Pilot 67865	\$11.69	\$ 9.08	\$ 6.79	\$10.68	\$ 8.85	\$ 6.78
Lincoln Benefit Life Co. 65595	\$12.24	\$ 9.45	\$ 6.96	\$10.83	\$ 9.07	\$ 6.93
London Pacific Life & Annuity 68934	\$11.50	-	-	\$10.41	-	-



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

Metropolitan LIC 65878	\$10.92	\$ 8.68	-	\$ 9.50	\$ 8.22	-
National Guardian LIC <sup>1</sup> 66583	\$11.69	\$ 9.16	\$ 6.69	\$10.67	\$ 8.91	\$ 6.68
Peoples Benefit LIC 66605	\$11.05	\$ 8.90	\$ 6.89	\$ 9.85	\$ 8.56	\$ 6.89
Presidential LIC 68039	\$12.36	\$ 9.52	\$ 7.07	\$10.99	\$ 9.19	\$ 7.05
Principal LIC 61271	\$11.46	\$ 9.10	\$ 6.80	\$10.64	\$ 8.93	\$ 6.79
Security Benefit LIC 68675	\$10.92	\$ 8.91	\$ 6.71	\$ 9.55	\$ 8.41	\$ 6.67
United of Omaha LIC 69869	\$12.28	\$ 9.58	\$ 7.19	\$11.23	\$ 9.34	\$ 7.18
USG Annuity & Life 61247	\$11.51	\$ 9.05	\$ 6.82	\$10.52	\$ 8.82	\$ 6.81

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 9. Single Life Annuities — Age 85 (Non-Qualified Funds)**

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	Male			Female		
	Life Only	10 yr C&C	20 yr C&C	Life Only	10 yr C&C	20 yr C&C
Allianz LIC/No. America 90611	\$13.65	\$ 9.25	\$ 6.88	\$12.83	\$ 9.18	\$ 6.89
American Gen LIC (AIG) 60488	\$14.75	\$ 9.97	\$ 7.18	\$13.87	\$ 9.89	\$ 7.18
Canada Life Assurance 80659	\$15.10	\$10.14	\$ 7.05	\$13.58	\$ 9.94	\$ 7.05
Conseco Annuity Assurance 60682	\$12.56	\$ 9.24	-	\$11.38	\$ 8.97	-
Fidelity & Guaranty LI 63274	\$15.77	\$ 9.95	-	\$13.84	\$ 9.69	-
GE Capital Assurance 70025	\$15.78	\$10.09	-	\$14.03	\$ 9.91	-
Jefferson Pilot 67865	\$14.42	\$ 9.61	\$ 6.81	\$13.44	\$ 9.51	\$ 6.81
Lincoln Benefit Life Co. 65595	\$15.28	\$10.03	\$ 6.98	\$13.64	\$ 9.82	\$ 6.98
London Pacific Life & Annuity 68934	\$14.30	-	-	\$13.22	-	-



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

Metropolitan LIC 65878	\$13.46	-	-	\$ 11.76	-	-
National Guardian LIC <sup>1</sup> 66583	\$14.46	\$ 9.75	\$ 6.71	\$13.49	\$ 9.64	\$ 6.71
Peoples Benefit LIC 66605	\$13.50	\$ 9.42	\$ 6.88	\$12.08	\$ 9.19	\$ 6.87
Presidential LIC 68039	\$15.39	\$10.07	\$ 7.08	\$13.87	\$ 9.89	\$ 7.08
Principal LIC 61271	\$14.22	\$ 9.76	\$ 6.83	\$13.47	\$ 9.70	\$ 6.83
Security Benefit LIC 68675	\$13.48	\$ 9.63	\$ 6.75	\$11.91	\$ 9.31	\$ 6.74
United of Omaha LIC 69868	\$15.09	\$10.12	\$ 7.21	\$14.08	\$10.02	\$ 7.21
USG Annuity & Life 61247	\$14.15	\$ 9.58	\$ 6.85	\$13.19	\$ 9.48	\$ 6.84

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

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

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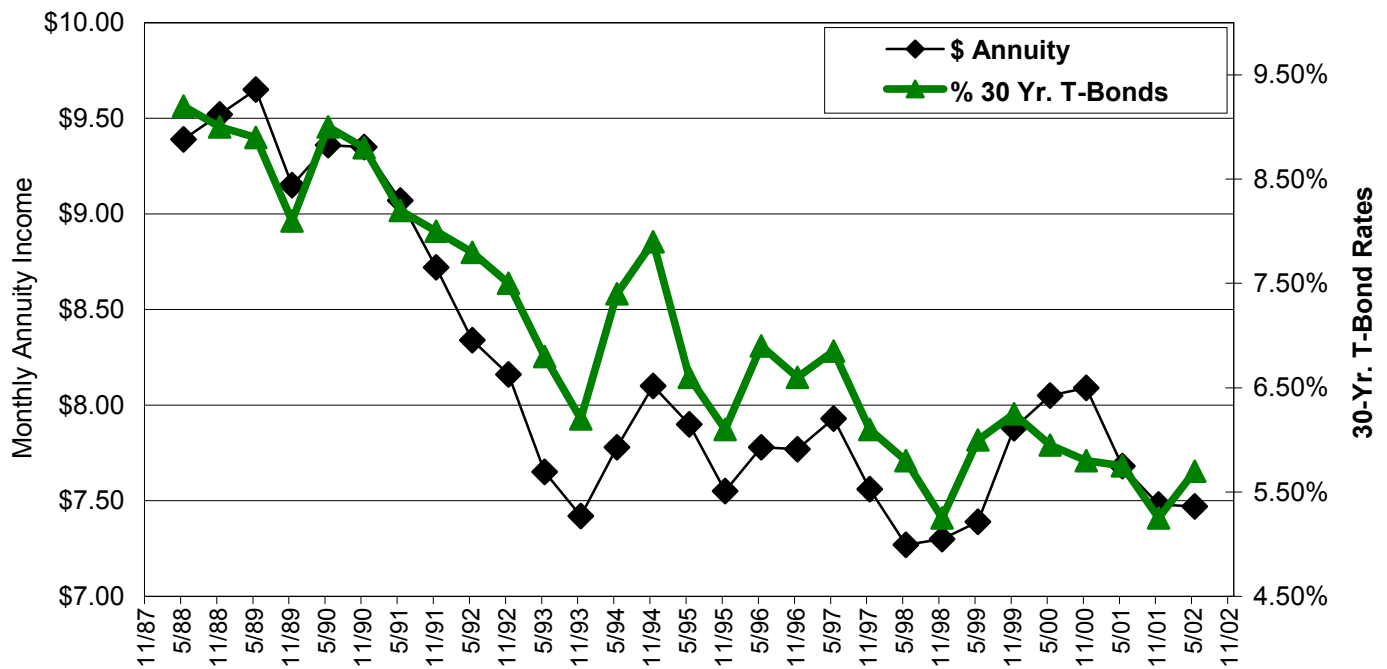
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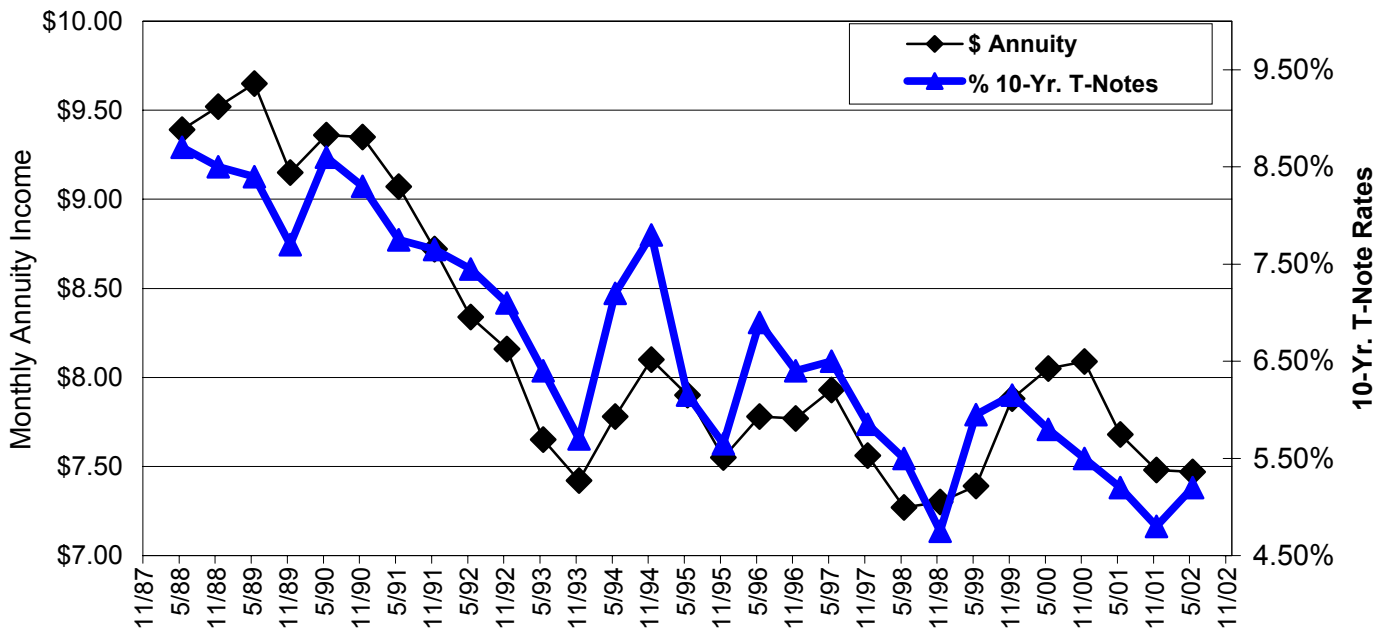
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# Annuity Trends

Monthly Income per \$1,000 deposit for a Straight Life Annuity on a Male Age 65 shown with the Yield on a 30-Year Treasury Bond



Monthly Income per \$1,000 deposit for a Straight Life Annuity on a Male Age 65 shown with the Yield on a 10-Year Treasury Note



# Immediate Annuities Update

Table 10. Joint & Survivor Annuities — Male Age 60, Female Age 57 (Non-Qualified)

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.

Reporting Companies (NAIC ID Number)	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non-reducing
Allianz LIC/No. America 90611	\$ 6.85	-	\$ 6.13
American Gen LIC (AIG) 60488	\$ 6.65	-	\$ 5.99
Canada Life Assurance 80659	\$ 6.55	\$ 6.35	\$ 5.82
Conseco Annuity Assurance 60682	\$ 5.85	-	\$ 5.08
Fidelity & Guaranty LI 63274	\$ 6.85	\$ 6.66	\$ 6.13
GE Capital Assurance 70025	\$ 6.54	\$ 6.36	\$ 5.94
Jefferson Pilot 67865	\$ 6.48	\$ 6.28	\$ 5.83
Lincoln Benefit Life Co. 65595	\$ 6.45	\$ 6.23	\$ 5.79
London Pacific Life & Annuity 68934	\$ 6.12	-	\$ 5.46



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

Metropolitan LIC 65978	\$ 6.14	\$ 5.99	\$ 5.56
National Guardian LIC <sup>1</sup> 66583	-	-	\$ 5.58
Peoples Benefit LIC 66605	\$ 6.35	\$ 6.16	\$ 5.69
Presidential LIC 68039	\$ 6.73	\$ 6.53	\$ 6.05
Principal LIC 61271	\$ 6.56	\$ 6.34	\$ 5.91
Security Benefit LIC 68675	\$ 5.93	\$ 5.77	\$ 5.33
United of Omaha LIC 69868	\$ 6.47	\$ 5.97	\$ 5.77
USG Annuity & Life 61247	\$ 6.73	-	\$ 6.00

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 11. Joint & Survivor Annuities — Male Age 65, Female Age 62 (Non-Qualified)

Most of these annuities are available for purchase through WebAnnuities.com 800-872-6684.


Reporting Companies (NAIC ID Number)	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non-reducing
Allianz LIC/No. America 90611	\$ 7.36	-	\$ 6.41
American Gen LIC (AIG) 60488	\$ 7.21	-	\$ 6.33
Canada Life Assurance 80659	\$ 7.17	\$ 6.90	\$ 6.20
Conseco Annuity Assurance 60682	\$ 6.44	-	\$ 5.46
Fidelity & Guaranty LI 63274	\$ 7.36	\$ 7.10	\$ 6.43
GE Capital Assurance 70025	\$ 7.10	\$ 6.85	\$ 6.29
Jefferson Pilot 67865	\$ 7.02	\$ 6.74	\$ 6.14
Lincoln Benefit Life Co. 65595	\$ 7.01	\$ 6.72	\$ 6.12
London Pacific Life & Annuity 68934	\$ 6.67	-	\$ 5.78
 <b>Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.</b>			
Metropolitan LIC 65978	\$ 6.60	\$ 6.39	\$ 5.82
National Guardian LIC <sup>1</sup> 66583	-	-	\$ 5.92
Peoples Benefit LIC 66605	\$ 6.91	\$ 6.63	\$ 6.00
Presidential LIC 68039	\$ 7.28	\$ 7.01	\$ 6.39
Principal LIC 61271	\$ 7.08	\$ 6.78	\$ 6.20
Security Benefit LIC 68675	\$ 6.42	\$ 6.20	\$ 5.62
United of Omaha 69868	\$ 7.05	\$ 6.36	\$ 6.12
USG Annuity & Life 61247	\$ 7.33	-	\$ 6.39

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 12. Joint & Survivor Annuities — Male Age 70, Female Age 67 (Non-Qualified)

Reporting Companies (NAIC ID Number)	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non-reducing
Allianz LIC/No. America 90611	\$ 8.10	-	\$ 6.83
American Gen LIC (AIG) 60488	\$ 8.00	\$ 7.12	\$ 6.81
Canada Life Assurance 80659	\$ 8.01	\$ 7.65	\$ 6.74
Conseco Annuity Assurance 60682	\$ 7.13	-	\$ 5.91
Fidelity & Guaranty LI 63274	\$ 8.12	\$ 7.77	\$ 6.89
GE Capital Assurance 70025	\$ 7.89	\$ 7.55	\$ 6.79
Jefferson Pilot 67865	\$ 7.78	\$ 7.40	\$ 6.60
Lincoln Benefit Life Co. 65595	\$ 7.81	\$ 7.41	\$ 6.60
London Pacific Life & Annuity 68934	\$ 7.45	-	\$ 6.26
 <b>Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.</b>			
Metropolitan LIC 65978	\$ 7.26	\$ 6.96	\$ 6.20
National Guardian LIC <sup>1</sup> 66583	-	-	\$ 6.42
Peoples Benefit LIC 66605	\$ 7.60	\$ 7.23	\$ 6.46
Presidential LIC 68039	\$ 8.06	\$ 7.69	\$ 6.86
Principal LIC 61271	\$ 7.84	\$ 7.44	\$ 6.65
Security Benefit LIC 68675	\$ 7.12	\$ 6.82	\$ 6.04
United of Omaha 69868	\$ 8.17	-	\$ 6.92
USG Annuity & Life 61247	\$ 7.83	\$ 6.92	\$ 6.61
Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002 <sup>1</sup> 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 13. Joint & Survivor Annuities — Male Age 75, Female Age 72 (Non-Qualified)

Reporting Companies (NAIC IDNumber)	50% J&S reducing on either death	50% J&S reducing on primary's death	100% J&S non-reducing
Allianz LIC/No. America 90611	\$ 9.09	-	\$ 7.40
American Gen LIC (AIG) 60488	\$ 9.12	\$ 7.93	\$ 7.51
Canada Life Assurance 80659	\$ 9.20	\$ 8.70	\$ 7.51
Conseco Annuity Assurance 60682	\$ 8.10	-	\$ 6.53
Fidelity & Guaranty LI 63274	\$ 9.26	\$ 8.76	\$ 7.61
GE Capital Assurance 70025	\$ 9.08	\$ 8.60	\$ 7.53
Jefferson Pilot 67865	\$ 8.87	\$ 8.34	\$ 7.27
Lincoln Benefit Life Co. 65595	\$ 8.99	\$ 8.45	\$ 7.33
London Pacific Life & Annuity 68934	\$ 8.59	-	\$ 6.97
 <b>Please note that the numbers in these tables change frequently. For today's best quotations call 800-872-6684.</b>			
Metropolitan LIC 65978	\$ 8.19	\$ 7.78	\$ 6.75
National Guardian LIC <sup>1</sup> 66583	-	-	\$ 7.15
Peoples Benefit LIC 66605	\$ 8.58	\$ 8.14	\$ 7.14
Presidential LIC 68039	\$ 9.20	\$ 8.68	\$ 7.56
Principal LIC 61271	\$ 8.94	\$ 8.37	\$ 7.33
Security Benefit LIC 68675	\$ 8.12	\$ 7.69	\$ 6.66
United of Omaha 69868	\$ 9.34	-	\$ 7.67
USG Annuity & Life 61247	\$ 8.88	\$ 7.68	\$ 7.27

Figures represent monthly income per \$1000 assuming \$100,000 deposit. Survey period: May 17, 2002

<sup>1</sup>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 Multi-Year Guarantee deferred annuity ('MYGA'), your premium is credited with a fixed interest rate for length of time in years known as the **Rate Guarantee Period** (see column with that title). Some contracts offer a constant rate for the duration and others offer a bonus in the first year of the rate guarantee period (see columns titled **Interest Rate in 1<sup>st</sup> Yr.** and **Interest Rate in Following Years**).

The column headed **Surrender Fees in Percent for Mid-Term Withdrawals by Policy Year** reports the schedule of surrender penalties in effect for each contract year. Note, however, that many contracts feature a so-called **Market Value Adjustment** ('MVA') which may increase or decrease the total penalties incurred on early surrender of the policy. A typical MVA is determined by a formula which compares the base interest rate of the

contract at the time it was issued and the base interest rate (of a similar contract) at the time the policy is surrendered. Generally, if the base interest rate has gone down, then the MVA will have a **positive** impact on the value of your policy (and the MVA will offset some or, even, all of the early surrender charges). Conversely, if interest rates are higher at the time of withdrawal, the MVA will have a **negative** impact on the early surrender value of the contract.

**Table 14. Multi-Year Guarantee Deferred Annuities**

Reporting Companies (NAIC #)	Policy Name	Issue Ages	Min. Premium	Max. Premium	Rate Guarantee Period	Interest Rate in 1 <sup>st</sup> Yr	Interest Rate in Following Years	Surrender Fees in Percent for Mid-Term Withdrawals by Policy Year 1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup> 4 <sup>th</sup> 5 <sup>th</sup> 6 <sup>th</sup> 7 <sup>th</sup> 8 <sup>th</sup> 9 <sup>th</sup> 10 <sup>th</sup>	Any Market Value Adjustment ('MVA')?
American Equity Investment LIC	C-SPDA-6	0-85	20,000	-	3 Years	4.80%	4.80%	9% 8% 7%	NO
American Equity Investment LIC	C-SPDA-6	0-85	20,000	-	5 Years	5.30%	5.30%	9% 8% 7% 6% 5%	NO
Jefferson Pilot 67865	Pilot Gold - Gold 5	0-85	10,000	1,000,000	5 Years	5.15%	5.15%	8% 8% 7% 6% 5%	YES
Jefferson Pilot 67865	Pilot Gold - Gold 6	0-85	10,000	1,000,000	6 Years	6.40%	5.40%	8% 8% 7% 6% 5% 4%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	5,000	99,999	5 Years	5.65%	4.65%	8% 8% 8% 7% 6%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	100,000	1,000,000	5 Years	6.65%	4.65%	8% 8% 8% 7% 6%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	5,000	99,999	6 Years	5.30%	5.30%	8% 8% 8% 7% 6% 5% 3% 2% 1%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	100,000	1,000,000	6 Years	6.30%	5.30%	8% 8% 8% 7% 6% 5% 3% 2% 1%	YES

Additional surrender charges (e.g. "Market Value Adjustment") may further reduce cash value on surrender before contract maturity. Survey period: May 17, 2002.

# Deferred Annuities Update

**Table 14. Multi-Year Guarantee Deferred Annuities, cont'd.**

Reporting Companies (NAIC #)	Policy Name	Issue Ages	Min. Premium	Max. Premium	Rate Guarantee Period	Interest Rate in 1 <sup>st</sup> Yr	Interest Rate in Following Yrs	Surrender Fees in Percent for Mid-Term Withdrawals by Policy Year 1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup> 4 <sup>th</sup> 5 <sup>th</sup> 6 <sup>th</sup> 7 <sup>th</sup> 8 <sup>th</sup> 9 <sup>th</sup> 10 <sup>th</sup>	Any Market Value Adjustment ('MVA')?
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	5,000	99,999	7 Years	5.80%	4.80%	8% 8% 8% 7% 6% 5% 4%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	100,000	1,000,000	7 Years	6.80%	4.80%	8% 8% 8% 7% 6% 5% 4%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	5,000	99,999	8 Years	6.40%	4.90%	8% 8% 8% 7% 6% 5% 4% 3%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	100,000	1,000,000	8 Years	7.40%	4.90%	8% 8% 8% 7% 6% 5% 4% 3%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	5,000	99,999	9 Years	9.00%	5.00%	8% 8% 8% 7% 6% 5% 4% 3% 2%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	100,000	1,000,000	9 Years	10.00%	5.00%	8% 8% 8% 7% 6% 5% 4% 3% 2%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	5,000	99,999	10 Years	6.20%	5.20%	8% 8% 8% 7% 6% 5% 4% 3% 2% 1%	YES
Lincoln Benefit Life Co. 65595	Tactician Plus	0-90	100,000	1,000,000	10 Years	7.20%	5.20%	8% 8% 8% 7% 6% 5% 4% 3% 2% 1%	YES
Midland National Life 66044	Guarantee Plus	0-90			10 Years	6.30%	6.30%	10% 10% 10% 10% 10% 10% 9% 8% 6% 4% 2%	YES
Presidential LIC 68039	Secure 4	0-90	5,000		4 Years	5.00%	5.00%	7% 6% 6% 5%	NO
Presidential LIC 68039	Secure 6	0-90	5,000		6 Years	5.10%	5.10%	7% 7% 7% 6% 5% 4%	NO
Principal LIC 61271	SPDA 7	0-95			7 Years	5.25%	5.25%	6% 6% 6% 4% 4% 3% 2%	

Additional surrender charges (e.g. "Market Value Adjustment") may further reduce cash value on surrender before contract maturity. Survey period: May 17, 2002.

# Deferred Annuities Update

**Table 14. Multi-Year Guarantee Deferred Annuities, cont'd.**

Reporting Companies (NAIC #)	Policy Name	Issue Ages	Min. Premium	Max. Premium	Rate Guarantee Period	Interest Rate in 1 <sup>st</sup> Yr	Interest Rate in Following Yrs	Surrender Fees in Percent for Mid-Term Withdrawals by Policy Year 1 <sup>st</sup> 2 <sup>nd</sup> 3 <sup>rd</sup> 4 <sup>th</sup> 5 <sup>th</sup> 6 <sup>th</sup> 7 <sup>th</sup> 8 <sup>th</sup> 9 <sup>th</sup> 10 <sup>th</sup>	Any Market Value Adjustment ('MVA')?
USG Annuity & Life Co.	Select Guarantee	0-90	15,000		5 Years	4.20%	4.20%	9% 8% 7% 6% 5%	YES
USG Annuity & Life Co.	Select Guarantee	0-90	15,000		6 Years	4.60%	4.60%	9% 8% 7% 6% 5% 4%	YES
USG Annuity & Life Co.	Select Guarantee	0-90	15,000		8 Years	8.00%	5.00%	9% 8% 7% 6% 5% 4% 3% 2%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	50,000	249,999	5 Years	4.55%	4.55%	9% 8% 7% 6% 5%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	250,000	500,000	5 Years	4.80%	4.80%	9% 8% 7% 6% 5%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	50,000	249,999	6 Years	5.00%	5.00%	9% 8% 7% 6% 5% 4%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	250,000	500,000	6 Years	5.25%	5.25%	9% 8% 7% 6% 5% 4%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	50,000	249,999	8 Years	5.50%	5.50%	9% 8% 7% 6% 5% 4% 3% 2%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	250,000	500,000	8 Years	5.75%	5.75%	9% 8% 7% 6% 5% 4% 3% 2%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	50,000	249,999	10 Years	5.75%	5.75%	9% 8% 7% 6% 5% 4% 3% 2% 1% 0%	YES
USG Annuity & Life Co.	Max Guarantee	0-85	250,000	500,000	10 Years	6.00%	6.00%	9% 8% 7% 6% 5% 4% 3% 2% 1% 0%	YES
United of Omaha 69868	Ultra Secure 5	0-89			5 Years	5.25%	5.25%	6% 6% 6% 6% 5%	
United of Omaha 69868	Ultra Secure 7	0-89			7 Years	4.85%	4.85%	6% 6% 6% 6% 5% 4% 3%	

Additional surrender charges (e.g. "Market Value Adjustment") may further reduce cash value on surrender before contract maturity.  
Survey period: May 17, 2002.

# State Guaranty Associations

What happens if my insurance company becomes insolvent? Your insurance company is regulated by your state. When a state determines that an insurance company is insolvent, the mechanism used to protect policyholders is the "Guaranty Association" system. All 50 states, the District of Columbia, and Puerto Rico have guaranty associations which help pay the claims of financially impaired companies. State laws specify what type of insurance is covered and the dollar amount of the coverage (see summary table below). We recommend that you call the consumer affairs office of your state insurance department for further details about the coverage which may be available to you in the unlikely event your company becomes insolvent.

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) 296-3071
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 company's investment portfolio.

Annuities are not federally insured (eg., FDIC). They are probably covered by the State Guaranty Fund, 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 rating services presented here are A.M. Best's, Standard & Poor's, and Moody's.

These 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.

The rating agencies typically assign grades (such as AAA thru F) to the insurance companies they rate. These ratings may be

confusing when making comparisons. For instance, a company rated A+ by A.M. Best, represents their second highest grade, which was assigned to more than 10% of the companies Best rates. For S&P an "A+" is the 7th rank from the top and therefore denotes a much weaker standing than it does for A.M. Best. You can judge the value of an alphabetical grade by its position in that agency's Distribution of Ratings (see table below). Rating categories containing no companies are omitted.

## Distribution of Insurance Company Ratings

A.M. Best				S & P				Moody's			
Category	Description	No. of Cos.	Percent of Cos.	Category	Description	No. of Cos.	Percent of Cos.	Category	Description	No. of Cos.	Percent of Cos.
A++	Superior	65	4.8%	AAA	Extremely	38	4.5%	Aaa	Exceptional	12	6.0%
A+	Superior	173	12.8%	AA+	Very	77	9.0%	Aa1	Excellent	9	4.5%
A	Excellent	232	17.1%	AA	Very	69	8.1%	Aa2	Excellent	50	25.0%
A-	Excellent	308	22.8%	AApi	Very	7	0.8%	Aa3	Excellent	57	28.5%
FPR 8	Strong	4	0.3%	AA-	Very	62	7.3%	A1	Good	19	9.5%
FPR 7	Strong	5	0.4%	AA-pi	Very	1	0.1%	A2	Good	26	13.0%
B++	VeryGood	125	9.2%	A+	Strong	52	6.1%	A3	Good	14	7.0%
B+	VeryGood	130	9.6%	A+pi	Strong	1	0.1%	Baa1	Adequate	3	1.5%
FPR 6	Good	12	0.9%	A	Strong	35	4.1%	Baa2	Adequate	1	0.5%
FPR 5	Good	25	1.8%	Api	Strong	71	8.3%	Baa3	Adequate	2	1.0%
B	Fair	68	5.0%	A-	Strong	23	2.7%	Ba1	Questionable	7	3.5%
B-	Fair	48	3.5%	BBB+	Good	41	4.8%		Total	200	100.0%
FPR 4	Fair	37	2.7%	BBB	Good	29	3.4%				
C++	Marginal	45	3.3%	BBBpi	Good	125	14.7%				
C+	Marginal	47	3.5%	BBB-	Good	8	0.9%				
FPR3	Marginal	7	0.5%	BBB-pi	Good	1	0.1%				
C	Weak	16	1.2%	BB+pi	Marginal	1	0.1%				
C-	Weak	4	0.3%	BB	Marginal	1	0.1%				
FPR2	Weak	2	0.1%	BBpi	Marginal	122	14.3%				
Total		1,353	100.0%	B+pi	Weak	3	0.4%				
				B	Weak	1	0.1%				
				Bpi	Weak	58	6.8%				
				CCC	Very Weak	1	0.1%				
				CCCpi	Very Weak	25	2.9%				
				Total		852	100.0%				

# Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best	S & P	Moodys
Aetna LI & Annuity Co.	86509	CT	\$ 48.5B	A+	AA+	Aa2
Aetna LIC	60054	CT	\$ 30.5B	A	A-	A2
AID Assoc. Lutherans	56014	WI	\$ 21.5B	A++	AA+	Aa2
AIG LIC	66842	DE	\$ 10.8B	A++	AAA	Aaa
Allianz Life of N. America	90611	MN	\$ 11.2B	A++	AA+	Aa3
Allstate LIC	60186	IL	\$ 38.7B	A+	AA+	Aa2
American Equity Investment LIC	92738	IA	\$ 2.1B	A-	A	-
American General Annuity Ins. Co.	70432	TX	\$ 19.9B	A +	AA+	Aa1
American General LIC	60488	TX	\$ 10.3B	A+	AA+	Aa1
American Heritage LIC	60534	FL	\$ 1.6B	A+	AA+	Aa3
American Int'l Life Assur.Co.NY	60607	NY	\$ 6.4B	A++	AAA	Aaa
American Investors LIC	60631	KS	\$ 3.6B	A	A	A3
American Mayflower LIC/NY	60712	NY	\$ 0.9B	A+	AA	Aa2
American National Ins.Co.	60739	TX	\$ 7.2B	A+	AA+	Aa2
American Partners LIC	93653	AZ	\$ 0.3B	A+	-	-
Americo Financial Life & Annuity	61999	TX	\$ 0.6B	A	A	-
AmerUS LIC	61689	IA	\$ 4.4B	A	A	A3
Anchor National LIC	60941	AZ	\$ 25.8B	A++	AAA	Aaa
Bankers United Life Assurance	61387	IA	\$ 2.7B	A	AA+	Aa3
Business Mens Assurance	61492	MO	\$ 2.7B	A	AA-	A1
Canada Life Assurance	80659	CN	\$ 31.8B	A+	AA	Aa3
Canada Life Ins.Co.(NY)	79359	NY	\$ 0.3B	A+	AA	Aa2
Clarica Life Insurance Co.	70491	ND	\$ 36.2B	A+	AA	-
Columbia Universal Life Insurance Co.	77720	TX	\$ 0.2B	A+	-	-

Continued . .

- **("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.

**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.

**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 & P	Moodys
Companion LIC	62243	NY	\$ .05B	A	AA-	B
Conseco Annuity Assurance	60682	IL	\$ 7.3B	A-	BBB	Baa1
Continental Assurance Co.	62413	IL	\$ 10.0B	A	A+	A2
Crown LIC	n/a	CN	\$ 6.7B	A-	A-	Baa3
CUNA Mutual Insurance Society	62626	WI	\$ 2.2B	A	-	-
Delta Life & Annuity	65145	KS	\$ 1.5B	A	BBB	A3
Equitable Life Assurance Society	62944	NY	\$ 89.9B	A+	AA	Aa3
Equitable Life/IOWA	62979	IA	\$ 5.9B	A+	AA+	Aa2
Farmers New World LIC	63177	WA	\$ 5.1B	A+	-	Aa3
Federal Kemper Life Assurance	63207	IL	\$ 2.3B	A+	AA+	Aa3
Fidelity & Guar. LIC	63274	MD	\$ 5.0B	A	A	A2
Financial Benefit LIC	98213	KS	\$ 0.3B	B+	BBB	-
Fort Dearborn LIC	71129	IL	\$ 0.7B	A	A	-
Fortis Benefits LIC	70408	MN	\$ 9.1B	A	AA-	Aa3
GE Capital	70025	DE	\$ 20.6B	A+	AA	Aa2
GE Capital LAC/NY	72990	NY	\$ 2.6B	A+	AA	Aa2
Golden Rule Insurance Co.	62286	IL	\$ 1.6B	A	A+	-
Great American LIC	63312	OH	\$ 5.8B	A	A	A3
Hartford LIC	88072	CT	\$ 83.8B	A+	AA	Aa3
Horace Mann LIC	64513	IL	\$ 3.5B	A	A+	A2
IDS LIC	65005	MN	\$ 49.9B	A+	-	Aa3
Integrity LIC	74780	OH	\$ 3.3B	A+	AAA	Aa2
Jackson National LIC	65056	MI	\$ 40.9B	A+	AAA	Aa3
Jefferson-Pilot LIC	67865	NC	\$ 9.8B	A++	AAA	Aa2
Jefferson-Pilot LifeAmerica	62057	NJ	\$ 1.0B	A++	AAA	-
John Hancock	65099	MA	\$ 61.8B	A++	AA+	Aa2
Kansas City LIC	65129	MO	\$ 2.6B	A	A+	A3
Kemper Investors LIC	90557	IL	\$ 15.0B	A+	AA+	Aa3
Keyport LIC	65234	RI	\$ 17.6B	A+	AA+	Aa2
Knights of Columbus	58033	CT	\$ 8.5B	A++	AAA	Aa3
Lafayette LIC	65242	IN	\$ 1.1B	A	A	-
Liberty Life Assurance/Boston	65315	MA	\$ 6.2B	A	AA-	A1
Liberty National LIC	65331	AL	\$ 3.5B	A+	AA	A2
Life Insurance Co./Southwest	65528	TX	\$ 2.4B	A	-	Baa1
Lincoln Benefit Life	65595	NE	\$ 1.9B	A+	AA+	Aa2
Lincoln National LIC	65676	IN	\$ 76.5B	A	AA-	Aa3
London Pacific Life & Annuity	68934	NC	\$ 1.9B	B++	-	-
Continued . .						

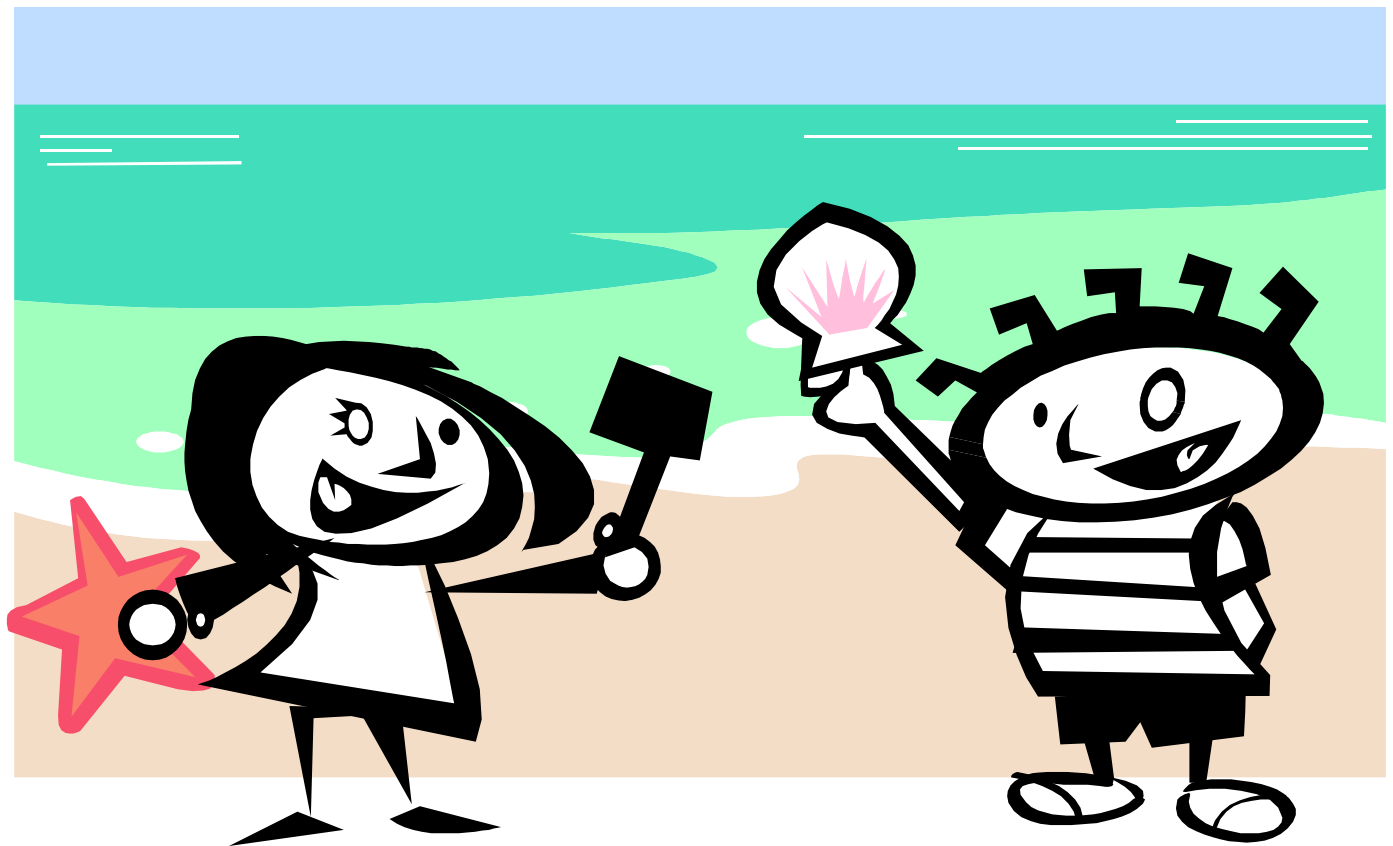
# Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best	S & P	Moodys
Massachusetts Mutual LIC	65935	MA	\$ 65.7B	A+ +	AAA	Aa1
Metlife Investors	93513	MO	\$ 4.3B	A+	AA-	Aa2
Metropolitan LIC	65978	NY	\$181.3B	A+	AA	Aa2
Midland National LIC	66044	SD	\$ 4.1B	A+	AA	A2
Minnesota LIC	66168	MN	\$ 16.3B	A++	AA+	Aa2
MONY LIC	66370	NY	\$ 12.1B	A	AA-	A2
Mutual of America LIC	88668	NY	\$ 10.0B	A+	AA+	Aa3
National Guardian LIC	66583	WI	\$ 0.7B	A-	-	-
National Western LIC	66850	CO	\$ 3.3B	A-	A+	-
Nationwide LIC	66869	OH	\$ 85.3B	A+	AA	Aa3
New York LIC	66915	NY	\$ 69.3B	A++	AA+	Aa1
North America Co./L&H	66974	IL	\$ 1.5B	A	AA	A2
Northbrook LIC	88528	AZ	\$ 7.7B	A+	AA+	Aa2
Northern LIC	87734	WA	\$ 7.2B	A+	AA+	Aa2
Penn Insurance & Annuity	93262	DE	\$ 1.3B	A	AA-	A2
Penn Mutual LIC	67644	PA	\$ 7.4B	A	AA-	A2
Peoples Benefit LIC	66605	IA	\$ 13.4B	A+	AA+	Aa3
Physicians Life Insur. Co.	72125	NE	\$ 1.0B	A	AA	-
Presidential LIC	68039	NY	\$ 2.8B	A-	-	Baa1
Principal LIC	61271	IA	\$ 75.5B	A+	AA	Aa2
Protective LIC	68136	TN	\$10.1B	A+	AA	A1
Providentmutual Life & Annuity	70750	DE	\$ 1.5B	A	AA-	A2
Prudential Ins.Co./Amer	68241	NJ	\$196.0B	A	A+	A1
Reliance Standard LIC	68381	IL	\$ 1.8B	A-	A	Baa2
ReliaStar Life Ins. Co. of NY	61360	NY	\$ 2.4B	A+	AA+	Aa2
SAFECO LIC	68608	WA	\$ 16.5B	A	A+	A1
Security Benefit LIC	68675	KS	\$ 7.5B	A+	AA-	A2
Security Mutual LIC/NY	68772	NY	\$ 1.4B	A	A+	Baa1
Southwestern LIC	91391	TX	\$ 1.8B	B++	BB	B2
Standard Life Insur. Co. of Indiana	69051	IN	\$ 0.7B	B++	-	-
Sun Life/Canada (US)	79065	DE	\$ 22.0B	A++	AA+	Aa2
SunAmerica LIC	69256	AZ	\$ 26.5B	A++	AAA	Aaa
Sunset LIC/America	69272	MO	\$ .05B	A	A+	-
Teachers Insurance & Annuity (TIAA)	69345	NY	\$118.5B	A++	AAA	Aaa
Transamerica Life & Annuity	69507	NC	\$ 20.1B	A+	AA+	Aa3

Continued . .

# Insurance Company Ratings

Company Legal Name	NAIC#	State Dom.	Admitted Assets	A.M. Best	S & P	Moodys
Transamerica LIC	86231	IA	\$ 13.8B	A+	AA+	Aa3
Travelers Insurance Co.	87726	CT	\$ 48.3B	A++	AA	Aa1
Travelers Life/Annuity	80950	CT	\$ 9.8B	A++	AA	Aa1
Union Central LIC	80837	OH	\$ 5.5B	A	A+	A3
United Heritage Mutual LIC	63983	ID	\$ 0.3B	A-	-	-
United Investors LIC	94099	MO	\$ 4.7B	A+	AA	A3
United Life & Annuity IC	69876	TX	\$ 1.0B	A	-	-
United of Omaha	69868	NE	\$ 11.0B	A	AA-	Aa3
United States LIC/NY	70106	NY	\$ 2.2B	A+	AA+	Aa1
USG Annuity & Life Co.	61247	OK	\$ 6.9B	A+	AA+	Aa2
Western United LAC	77925	WA	\$ 0.9B	B	-	-
William Penn LIC/NY	66230	NY	\$ 1.0B	A	-	A2
Woodmen of the World Life Society	57320	NE	\$ 5.2B	A+	AA	-



## Summer's here!

# 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 appropriates 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

# Rating Agencies

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.

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:

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

### Vulnerable Range:

<b>BB</b>	Financial security may be adequate, but capacity to meet long-term policies is vulnerable.
<b>B</b>	Vulnerable financial security.
<b>CCC</b>	Extremely vulnerable financial security. Questionable ability to meet obligations unless favorable conditions prevail.
<b>R</b>	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.)

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## Rating Categories

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

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