

## **Annuity Safety & FDIC**

I was on the panel at a gathering a few weeks ago and one of the other speakers was offering suggestions on overcoming objections. Two of the points he said to raise when people asked if annuities were FDIC insured were that banks failed in the 1930s, and there's not enough money in the FDIC fund if a lot of banks failed today.

I've heard these same tired excuses used to try to sell against FDIC insured bank accounts for 20 years and they've never convinced a consumer to move money into an annuity. If economic conditions resulted in the failure of many banks and exhausted the fund, Congress would simply authorize the government to put more money into it. To suggest that a bank deposit within the FDIC limits won't be covered if the bank fails insults the consumer's intelligence and makes the agent look desperate.

What is the consumer really asking? Although some are in love with FDIC - it took me two years to convince my folks to buy government bonds because they weren't FDIC insured - the vast majority of consumers are really saying that they are scared to death of losing money. The only financial product that has greater protection from principal risk is cash in hand and many people will never own anything other than FDIC insured savings. However, some of those savers might be convinced to use an annuity for at least part of their money if they believe it too is safe, but the way you show the safety of an annuity is not by trash talking FDIC.

***The Advantage Group unequivocally states that no fixed index annuity customer has ever lost annuity principal due to failure of an insurance company.***

You want safety? No index annuity owner has ever lost money because the insurer failed. I didn't say most people didn't lose...I didn't say almost nobody lost money...I said nobody has ever lost money in an index annuity because the carrier failed, not no how, not no where, not no one.

Your response might be that the only reason my statement is true is because no carrier has failed since index annuities were introduced. Au contraire. Two carriers offering index annuities sought regulatory relief in the '90s, but their customers emerged with both principal and interest intact.

Even if you concede my statement is correct, you may respond that the same doesn't hold true for fixed rate annuities because in the last twenty years several insurance companies have failed, including big ones like Executive Life. I agree that several annuity carriers have failed in the last two decades, however; I can find no evidence that any annuity customer received back less than 100 cents on the dollar because of the failure.

***I'll pay \$250 if you can show me someone that's lost principal in a fixed annuity because an insurance company failed!***

Am I saying that every fixed annuity customer that stayed the course throughout the regulatory relief process of every busted carrier got back all of their principal? No. I'm saying that I can't find any proof that they didn't. So, here's my offer.

**The Challenge**

I will pay \$250 for the first person furnishing me proof for each failed carrier that didn't return at least 100% of the original annuity principal to the consumer by the end of the regulatory process. This is open-ended. If you find four loss causing carriers I'll hand over a grand. If you find 10 companies that didn't make their annuity-holders whole I'll hand over 25 Ben Franklins.

This doesn't include annuity owners that surrendered or exchanged their annuity before the end of the regulatory process, nor would it include people that simply earned less interest than they were suppose to. I'm saying if the person gave the carrier \$1, waited until after the regulatory/liquidation process was complete, and didn't get back at least \$1 after everything was said and done, I want to know. Proof would be copies of actual customer statements verifying the loss. And since I'd like to find answers sooner than later this challenge will end at the end of 2002.

I'm making this offer because I've never gotten a verifiable answer and I want to know. And if your potential annuity buyer is concerned about safety, perhaps you should ask them to tell you if they know any person that has lost principal in a fixed annuity because the insurance company went under. I doubt if they can.

-----  
This is an electronic version of The Advantage Group Index Compendium newsletter. A graphic version is available at <http://www.indexannuity.org/>.

©2002 Jack Marrion