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FRC and Beacon Research Examine Implications of Growing Indexed Annuity Market

Financial Research Corporation (FRC) and Beacon Research today announced the upcoming release of the study: *Gauging the Equity-Indexed Annuity as Competition and Complement to the Variable Annuity Market.*

Equity-index annuities represent a growing and significant portion of overall fixed-annuity sales. Sales of EIAs are currently 31% of fixed annuity sales, up from just 11% in the first quarter of 2002, according to the Beacon Research *Fixed Annuity Premium Study*.

In this comprehensive study — expected to be released in late April — FRC examines the growth of equity-indexed annuities, how the products work, why they are selling, and why not all insurance companies are embracing them. The study also provides analyses of the potential impact on sales of variable annuities, emerging parallels to the variable annuity industry, and the positioning of variable annuities and equity-indexed annuities as part of a holistic financial plan.

Findings are based on EIA trends data developed by Beacon Research, supported by FRC's candid interviews with leading industry executives on the current and future state of the EIA market.

This new research report will help readers:

- **Create innovative equity-indexed annuity products and solutions.** The study provides comprehensive comparisons of top-selling EIA products and detailed analysis of key EIA features, including crediting methods, participation rates, interest rate guarantees, and other essential components.

- **Develop an overall principal protection strategy for clients.** FRC analyzes how the EIA compares to traditional fixed annuities, variable annuities, guaranteed living benefits, and non-annuity principal protection methods.
- **Understand the marketing issues.** Learn how firms are positioning EIAs, who the target markets are, and why some insurance companies are reluctant to offer EIAs.
- **Evaluate the future of the EIA.** FRC and industry executives look at the market and regulatory factors that could affect EIA manufacturers and investors in the years to come.

“Because baby boomers are willing to limit their upside potential if it means not worrying about the downside, equity-indexed annuities have gained in popularity, particularly in today’s low-interest-rate environment,” states Lisa Plotnick, FRC Vice President and author of the study. “Yet, EIA manufacturers face a number of challenges in sustaining this growth, including regulatory concerns, the availability of less complicated alternative products, and selling the product in changing financial markets.”

“Many of those who sell and who purchase equity-indexed annuities remain more comfortable with traditional fixed annuities,” agrees Jeremy Alexander, President and CEO of Beacon Research. “Should interest rates rise significantly, it may be difficult to maintain indexed products’ share of the fixed annuity market.”

About Financial Research Corporation

Financial Research Corporation (FRC) provides the knowledge to build stronger relationships through product development and management, distribution solutions, and marketing strategies. For nearly 20 years, our insightful research and consulting services have been assisting marketing, product development, and strategic planning professionals in the creation of innovative products and services. Based in Boston, FRC is at the forefront of assisting its clients to comprehend and respond to the rapid changes occurring in the manufacture and distribution of investment products. Our more than 200 clients include the world’s leading asset managers and distributors. For more information, visit the FRC Web site at www.frcnet.com.



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About Beacon Research

Beacon Research, based on Evanston, IL, is an independent research organization founded in 1997. Beacon's quarterly *Fixed Annuity Premium Study* is the first to track and analyze fixed annuity sales at the product level. Beacon also compiles fixed annuity product feature and rate information for subscribers to its web-based systems at www.annuitynexus.com. Carriers access these systems to support product development, rate setting and competition research. Distributors use them for product analysis and selection. The new AnnuityNexus Sales Support System is an important resource for retention teams and sales desk staff throughout the distribution chain. Beacon also licenses information and software tools to other platforms., Beacon's fixed annuity benchmark series -- the industry's first - is available through Ibbotson Associates. Directly and through strategic alliances, Beacon information can be accessed by hundreds of financial institutions and distributors.

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