

## Annuity Disability Waivers Vary

**BY JEREMY ALEXANDER**

Perhaps the most striking feature of fixed annuity disability waivers is their rarity. Of the 318 fixed annuity products in the Beacon Research database, only 18 provide such waivers.

for benefits? As the chart on page 7 shows, the requirements range from restrictive (unable to work at any occupation) to liberal (disabled in one's own occupation), or some combination of the two. Many waivers simply adopt outside standards (from SSDI; IRC

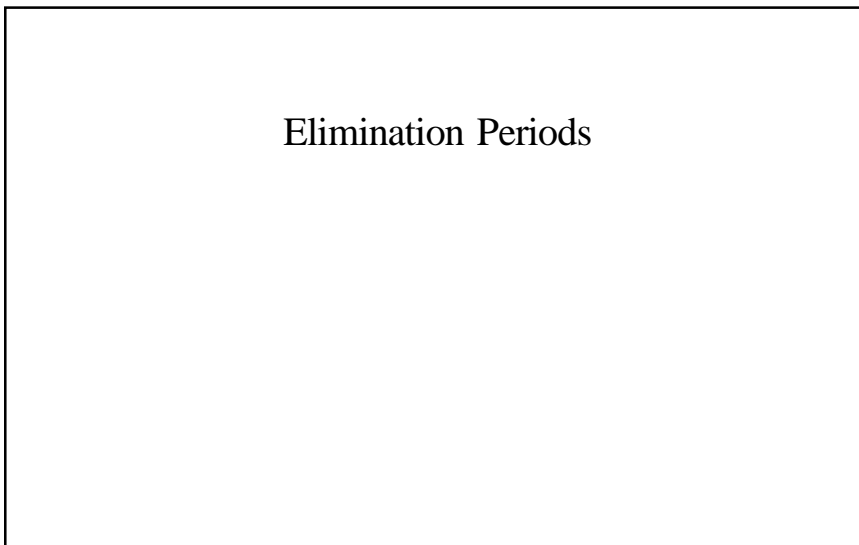
72 [m][7]; or an employer-sponsored plan).

Insurers also include the reason for the inability to work in their definitions of disability. Despite the frequency of serious depression (or perhaps because of it), only two waivers include mental impairment—Farm Bureau Life's Asset Builder and Preserver Gold. Other waivers apply only to various kinds of bodily injury and/or illness. (See Chart 2.)

How long must the annuitant be unable to work in order to be considered disabled? Fixed annuity waivers tend to be fairly liberal in this regard. Almost half require no elimination period at all. Of those that do have an elimination period, the maximum duration is six months.

This is not always the only restriction, however. In four cases, annuitants are ineligible for benefits at the presumed retirement age of 60 or 65.

What gets waived? The attractiveness of any waiver is a



Elimination Periods

Not all disability waivers are created equal. For instance, they differ in their definition of disability. Typically, "disability" means a person is unable to work for an extended period of time. Though "work" usually is defined as an income-producing activity, Lutheran Brotherhood's flex-premium and single-premium deferred annuities generously include homemakers and full-time students under age 18.

How difficult is it to qualify

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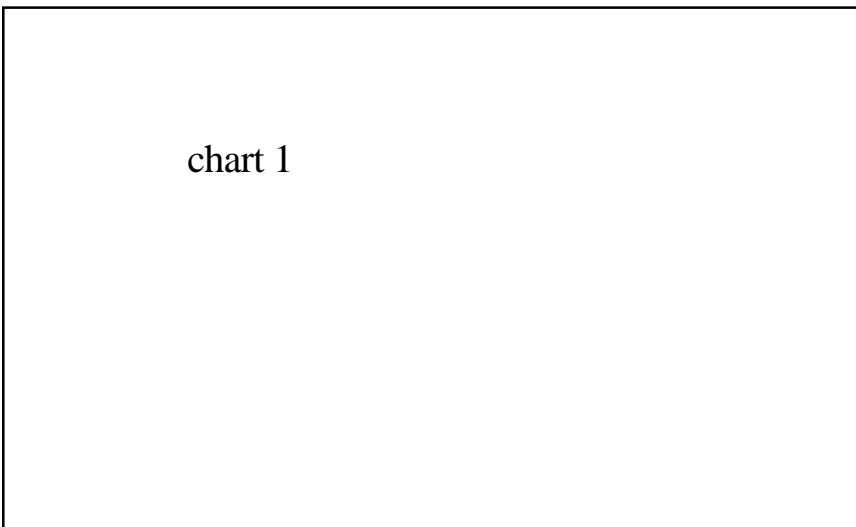


chart 1

chart 2

the accumulated value.)

Among contracts with scheduled premium payments, four will pay the premiums in the event of disability. Such payments typically are based on some average of previous premiums, up to a stated maximum percentage or dollar amount. (See Chart 3.)

All of this is important, because it is

much more probable that a client will become disabled than that she will die prematurely. The

popularity of disability insurance suggests that consumers are well aware of this fact.

Given this, the rarity of fixed annuity disability waivers is puzzling. Perhaps the very frequency of disabling condition renders such waivers too expensive in the judgment of most issuing

companies. It also may be the case that fixed annuity purchasers are less concerned about disability than the general population.

Disability waivers are most important in one's wage-earning years, and fixed annuities generally are purchased for retirement purposes. Consider: Almost 60 percent of buyers are over age 50, and only 38 percent are working full time, according to the *1993 U.S. Annuity Buyer Study* done by The Gallup Organization for New York Life. At the same time, however, most investors want to be sure that they can access their invested funds when these are most needed.

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function of the benefits provided, as well as the ease of qualifying for them.

In fixed annuities, these provisions commonly waive surrender charges in the event of a disability. This can be an extremely valuable benefit, depending on the nature of the contract. Some fixed annuity products are subject to permanent surrender charges. Penalties can be as high as 25 percent. If such charges are waived in event of disability, all funds usually can be withdrawn without penalty. (But two waivers only permit annual withdrawal of a fixed percentage of

Chart 3