



Annuity XRAY

CALLING SCRIPT

This script is designed to help you accurately analyze in-force information regarding an annuity for two reasons.

1. Ensuring your client understands the benefits, features and limitations of their current contract
2. Uncovering opportunities where a replacement might be most suitable to achieve their goals

This information helps with many areas of your sale, including education of features that the previous advisor may not have mentioned as well as new business replacement and suitability requirements.

Explain to the client how the call with the insurance company will go.

You: "We need to call the insurance company and ask them some very specific questions about how your current annuity works, the benefits that it provides, and the fees being charged in return. This will help us determine whether this product is suitable to reach your goals. When they answer the phone, I'll introduce myself and let them know that you and I are both here on speaker phone. I'll then ask them to speak with you, so you can give me permission to review your current annuity's features. "

You: "In order for me to gather the information needed to fulfil the scope of our appointment, I need to know if you anticipate using this annuity to supplement any future income and if so, how soon? **Write this down**

Call the insurance company's service center and use the worksheets provided in this packet to write down the answers during your conversation.

When the representative answers, introduce yourself and explain the purpose of the call.

You: "Hello, my name is [Your Full Name]. I'm an insurance agent in [City, State] and I [do/do not – depending on if you are contracted with Carrier] represent your company. I'm sitting with a consumer of one of your products, [Full Client Name]. We are performing a financial review and analysis and there are some questions regarding the annuity [he/she] owns with your company. You're on speaker phone and your client can hear you. If [Mr./Mrs. Last Name] gives you permission to answer my questions, would you mind helping us out?"

Allow the representative to address their client; be quiet during this time. Once permission is given, the representative will address you, generally asking how they can help.

You: "My first question is what was [Mr./Mrs. Last Name] initial deposit?"

You: "What is [his/her] account balance as of the last business day close?"

You: "What has been [his/her] compounded annual rate of return?"

You: "What is [his/her] current surrender balance?"

You: "What percentage of their balance does this represent?"

You: "What is the surrender charge?"

You: "Is the surrender based on the current balance or initial deposit?"

You: “What year will this annuity be out of its surrender period?”

You: “How does the surrender schedule decline from today until the end of the schedule?”

You: “What is the current Death Benefit?”

You: “How does the death benefit work and more specifically, how is the benefit determined? Is it based on their initial deposit, the highest account value, is there an automatic increase, and what age is the death benefit payable to?”

You: At what [age/year] will the death benefit stop growing?

You (Critical question!): “How can these change in the future? Specifically, should the account hit \$0 due to the benefit provided, will the benefit change and How?”

You: What is the rider fee and is it based on the benefit base or the accumulation value?

You: “Is there an Income Rider associated with this annuity contract?”

You: What is the current income benefit base?

You: “How does the income rider work and more specifically, how is the benefit determined? Is it based on their initial deposit, the highest account value, is there an automatic increase, and if the benefit isn’t used, to what age is it available?”

You: If [Mr./Mrs. Last Name] were to turn the income rider on at [age/year], what’s the withdrawal rate?

You: Based on the withdrawal rate you gave me, what would the annual income be?

You (Critical question!): “How can the income amount change in the future? Can it increase and how?”

You: At what [age/year] will the income benefit base stop growing?

You: Also, just like before, if the account hit \$0 due to the benefit provided, will the benefit change and how?”

You: What is the rider fee and is it based on the benefit base or the accumulation value?

Skip this section if this is not a Variable Annuity

You: “Can you tell us about the sub accounts – specifically, is this a portfolio model, or investment options where either the client or the broker can manage?”

You: “If it is a managed account, do you have limitations regarding the amount of risk that can be taken inside the managed account? How can your client analyze the performance of the investment options?”

You: “Would you please take a moment and explain the internal fees to the client?”

(Note: You are asking for Mortality, Administration, Sub Account and Rider fees.)

You: “Which of those fees are based on the benefit base amount and not the accumulation value?”

Write their answers down, add the fees together and confirm your math.

You: “So, if my math is correct, I see that the total cost of the fees in this annuity is [X]%?”

You: “Would you please explain when these fees are charged to the account - is it daily, weekly or some other manner?” **(Note: Typically they are charged daily.)**

You: Are there any other fees we should be aware of?”

You: “[Mr./Mrs. Last Name], do you have any further questions for this representative?”

Wait for any additional questions to confirm the client’s understanding.

You: “Thank you for providing that information and your time today. Goodbye.”

Let's put this exercise into a hypothetical example to see how the information can be translated.

With regards to the fees: Let's say the client has a \$500,000 account value being charged 3.4% which is \$17,000 per year charged against the account value based on that day's closing value and the benefit values on that day. Obviously, market conditions change the value daily. If the fees are taken daily, this is \$46.57 being taken from the account on that day based on the information above. Generally, the client has no idea this is occurring.

With regards to the income benefit: Let's say the annuity will be credited a 10% rollup every year for the next 5 years when the client anticipates taking income, and in that year, the income benefit base is \$750,000 with a 5% withdrawal rate. The income benefit is \$37,500. I may not be able to beat the income benefit base, but I can get an 8% rollup for 5 years, which means the income benefit base would grow to \$675,000, but it has a 6% withdrawal rate. The income benefit is \$40,500. If the purpose of the annuity is income, this would be a compliant and suitable recommendation.

If you think there may be a more suitable product that may be better for the client's individual retirement income objectives, ask [him/her] the following four questions;

Question #1: "[Mr./Mrs. Last Name], is this how you understood the contract to work, and were you aware of the fees associated with this annuity?" **[If "no", go to Question #2]**

Question #2: "[Mr./Mrs. Last Name], okay, with that being the case, had you fully understood the features, benefits, limitations and fees associated with this annuity up front, would you have placed your money inside this annuity?" **[If "no", go to Question #3]**

Question #3: "[Mr./Mrs. Last Name], I realize an exercise like this can be a bit of an eye opener to get real-time confirmation of the performance of this product and to fully understand the details, including the fees being deducted from your account. So, my question for you is, are you comfortable with how this product is performing, its associated fees, and its ability to be in line with your current retirement strategy?" **[If "no", go to Question #4]**

Question #4: - "Okay, I understand, [Mr./Mrs. Last Name], my final question is, since you hadn't completely understood how this product works and you aren't comfortable with the monthly fees assessed, would you have purchased it now that you know that information? If there were a more suitable option available for you to consider, is there any reason you wouldn't want to explore it?"

Four "no" responses can mean you have a new client once he/she has been presented with all of the product details, including caps, spreads and participation rates, and has determined the fixed index annuity option you present could be a better fit.

This is a great exercise for you to implement into your financial review meetings with new prospects and even current clients. It helps you acquire accurate information regarding an annuity that the client may want to replace to purchase a new fixed/fixed index annuity product. It also ensures the client understands the current product they have to empower them in the decision making process while exploring other options you present for consideration to meet their guaranteed retirement income needs.

CONTINUE TO XRAY WORKSHEETS



VARIABLE ANNUITY XRAY WORKSHEET

Date of Call: _____

Spoke To: _____

Insurance Company: _____

Accumulation Value: _____

Death Benefit Base: _____

Income Benefit Base: _____

Surrender Value: _____ - _____% Year out of surrender: _____

How is the Death Benefit Calculated?

- Original Premium + Interest Highest Market Value Simple Percentage Increase - _____%
- Compounded Percentage Increase - _____% Other: _____

If simple or compounded percentage increase, what year do increases end? _____

How do withdrawals affect death benefit? None Dollar for Dollar Pro Rata

Rider fee: _____% Based on benefit base? Yes No

How is the Income Benefit Calculated?

- Original Premium + Interest Highest Market Value Simple Percentage Increase - _____%
- Compounded Percentage Increase - _____% Other: _____

If simple or compounded percentage increase, what year do increases end? _____

How do withdrawals affect income benefit base? None Dollar for Dollar Pro Rata

Withdrawal rate year income needed? Single: _____% Joint: _____% Expected Income: _____

Can income increase? Yes, How? _____ No

Can income decrease? Yes, How? _____ No

If cash value goes to \$0, will income continue? Yes No Will income benefit change? Yes No

Rider fee: _____% Based on benefit base? Yes No

Other Fees?

M&E: _____% Sub Account Fees: _____% Total Rider Fees: _____% Other Fees: _____%

Total Fees: _____%



INDEX ANNUITY XRAY WORKSHEET

Date of Call: _____

Spoke To: _____

Insurance Company: _____

Accumulation Value: _____

Death Benefit Base: _____

Income Benefit Base: _____

Surrender Value: _____ - _____% Year out of surrender: _____

How does the performance of the annuity work?

Current indexing strategy, cap and participation rate: _____

How is the Death Benefit calculated?

Original Premium + Interest Highest Market Value Simple Percentage Increase - _____%

Compounded Percentage Increase - _____% Other: _____

If simple or compounded percentage increase, what year do increases end? _____

How do withdrawals affect death benefit? None Dollar for Dollar Pro Rata

Rider fee: _____% Based on benefit base? Yes No

How is the Income Benefit calculated?

Original Premium + Interest Highest Market Value Simple Percentage Increase - _____%

Compounded Percentage Increase - _____% Other: _____

If simple or compounded percentage increase, what year do increases end? _____

How do withdrawals affect income benefit base? None Dollar for Dollar Pro Rata

Withdrawal rate year income needed? Single: _____% Joint: _____% Expected Income: _____

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If cash value goes to \$0, will income continue? Yes No Will income benefit change? Yes No

Rider fee: _____% Based on benefit base? Yes No

Other Fees?

Other Fees: _____% Total Fees: _____%