

Successful Product Innovation: Taking concepts to Market

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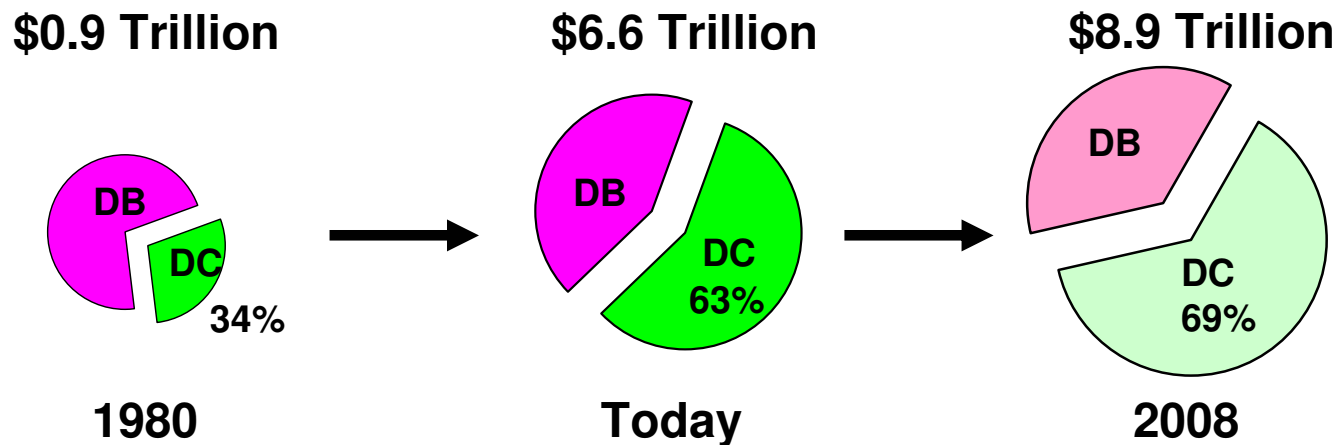
The Anatomy of A Successful Idea

- **Necessity: the “mother” of invention**
- **The internal sale: sponsorship**
- **If we build it, will they come?**
- **Practical challenges: the true test**
- **So we bring the horse to the water ...**



Necessity: The Mother of Invention

Genesis of Longevity Insurance



- **Half as many employees have DB plans today compared to 1980**
- **But, DC Plans are inadequate:**
 - How does a dollar today translate to income tomorrow?
 - No income orientation - only 2% annuitize
 - 25% of 401(k) eligible employees don't contribute

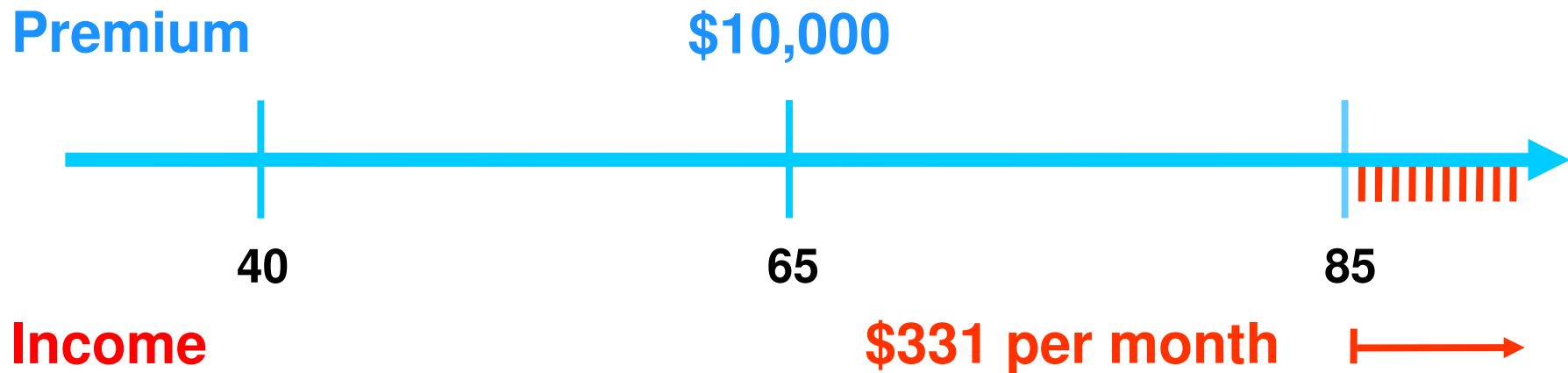
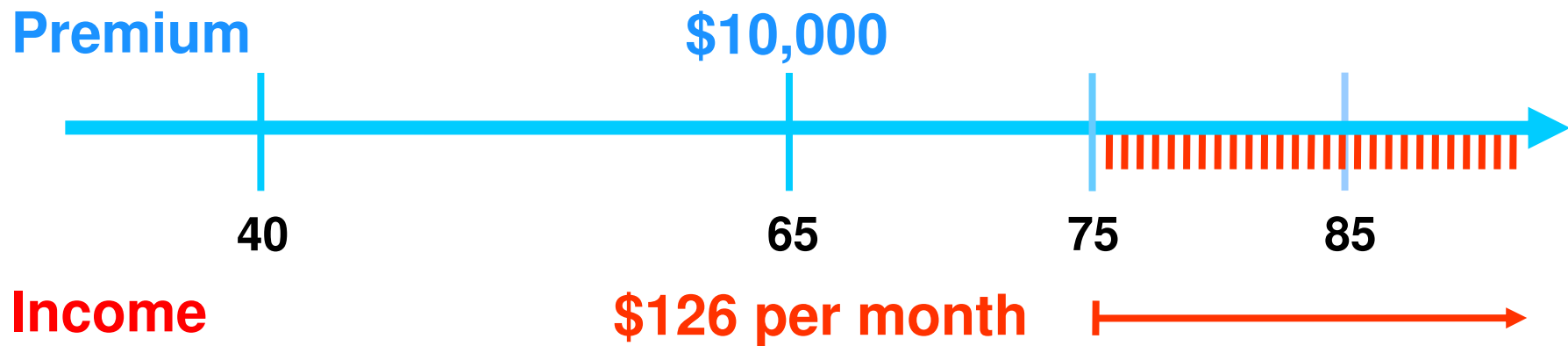
Positioning Income During Pre-Retirement

- **Education about challenges and risks faced with current position relative to future income goal**
- **Tools that allow participant to “see” future income and associated risks**
- **Product innovation – bridge the gap between today’s contribution and tomorrow’s income**
- **Bring consumers to the water & make them drink**

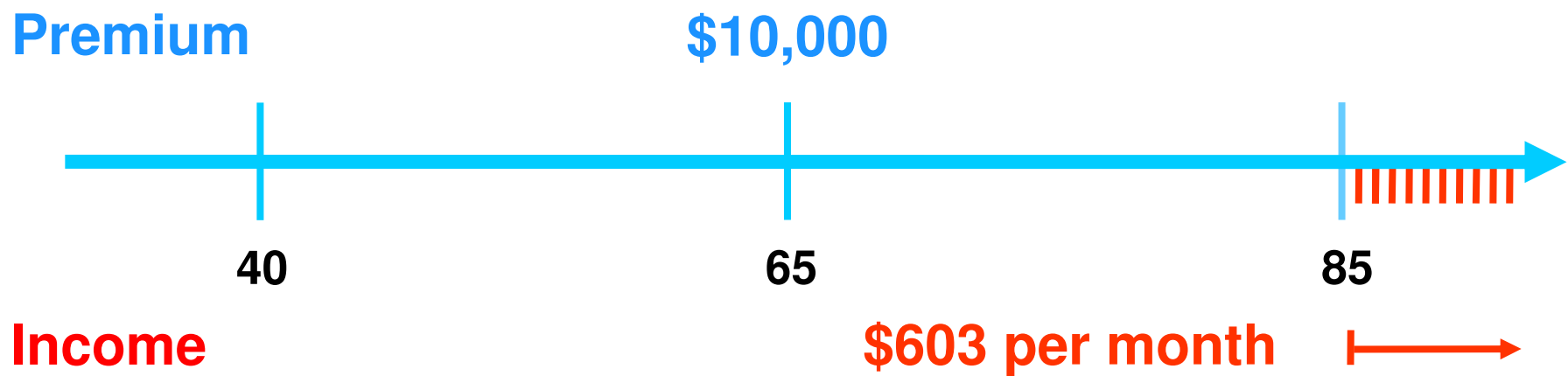
A Product Innovation: Personal Income Builder

- **The Product:** Fixed Deferred Income Annuity
- **Offered as:** A supplemental savings plan to complement an existing 401(k). Can be offered inside a qualified plan.
- **Key Design Features:**
 - Contribution today buys guaranteed income tomorrow at today's prices
 - Income starts between age 50 and 85 at client's choice (two year wait)
 - Range of income pay-out options can be selected
 - Pre-commencement death benefit equal contributions accumulated at 3% interest compounded to date of death
 - "Commutated value" may be available after income start and within a 60-day window (meets change in liquidity needs)

Standard Version



Retirement Income Insurance version



Retirement Income Solutions

Cost of “Funding” \$1,000/mo of Retirement Income for Life

Feature	Personal Income Builder	Retirement Income Insurance
Liquidity	ü	—
Flexible Income Date	ü	—
Death Benefit	ü	—
Cost for Male age 65 To Begin at 85	\$30,138	\$16,582

Costs based upon MetLife PIB purchase rates as of 5/1/2005.



The Internal Sale: Sponsorship

The Role of Executive Sponsor

- **People generate many, many ideas**
- **Most ideas never see the light of day**
- **Significant resources have to “get behind” ideas**
- **Executive sponsor brings weight & authority**
- **Confirms strategic fit, finds money, accountable**



If We Build It, Will They Come?

Market Research – Proves They Will Come?

- **Considerable time is spent seeking sufficient proof that there is a market need**
- **But how can you tell if there is a market want?**
- **Conclusion: It's a crap-shoot because people always tell you what you want to hear**
- **Keys: vision, reading the market dynamics, commitment to create the future!**



Practical Challenges: The True Test of Innovation

Overcoming Challenges

- **Regulatory approvals**
- **Product Illustrations**
- **Compliance and suitability**
- **Tax laws and regulations**
- **Administrative systems**

Regulatory Approvals

- **What animal is it? It's a deferred annuity**
- **Must comply with existing deferred annuity laws**
- **New approach means new headaches**
- **Compliance with non-forfeiture law (NFL)**
- **51 separate jurisdictions with varying requirements**
- **NFL speaks primarily to cash values**
- **Very little specifics regarding income**

Product Illustrations

- **Must be able to quote a benefit to prospect**
 - Have to build a quote tool
- **Client and rep take time to notify of buy decision**
 - Have to honor a quote for reasonable period
- **Quote resource is available at time of sale**
 - Customer service needs a quote tool
 - Quote capability in admin systems?

Compliance & Suitability

- **Ensuring the sale is suitable for the client**
- **It's new ... how can you tell without experience**
- **Look for the elephants in the middle of the room**
- **No cash values and long wait for benefits:**
 - **Relative portion of assets tied up**
 - **Significant change in total income**
 - **Access to liquidity from other sources**

Tax Laws & Regulations

- **Is this permissible under tax law?**
- **How are premiums and benefits treated for tax purposes?**
- **Qualified contracts must start distribution at age 70½**
- **There are no cash values but IRS requires that the value of future must be distributed ... from where?**
- **What if client has no choice but to distribute from here?**
- **Deferral to age 85 is not permitted for qualified contracts ... age 70 is maximum deferral age**

Administrative Systems

- **Printed contract must show benefits guaranteed for initial payment and identical to quote**
- **Quote capability must also reside on mainframe box**
- **If client never indicates an income start date, the system must generate income on last possible date**
- **Allowing client to choose income start date:**
 - **Store benefits payable at every possible start age**
 - **Store benefits for each premium contribution**
 - **Provide client periodic statements with future benefits**



**So we bring the Horse to water
... But can we make it drink?**

Product Retail: Making Them Drink

- **Create demand and engage those who sell (or find a proxy)**
- **Before retail comes wholesale – getting the attention of sales-people**
- **Make it easy for reps to sell – sales stories**
- **Tools must be provided to turn a complex problem into an actionable solution**



Example of a Sales Story enhanced with Sales Aids

Creating a Client Disturbance

The MetLife Retirement Success Calculator

Will Your Money Last as Long as Your Retirement Lasts?

This calculator was created by MetLife. It will estimate the likelihood (probability) that a specified level of annual withdrawals from a hypothetical asset portfolio with a specified portfolio allocation will last until certain future ages. It will also estimate the likelihood that you will live to those ages based on your current age and gender.

Select Age at which Withdrawals Begin (55-75):

Select Gender:

Specify an Initial Annual Withdrawal Rate:

Choose an Asset Allocation to Simulate:

Is this Strategy likely to be Successful for You?

<u>Attained Age</u>	<u>Likelihood of Living</u>	<u>Likelihood of Success</u>
75	84%	100%
85	53%	18%
95	17%	1%
105	1%	0%

- Did you know that a third of near retirees believe that an annual withdrawal rate of 7% from a retirement nest egg is likely to last for his or her lifetime? Source: MetLife Retirement IQ Survey, May 2003.
- Americans aged 55-64 overwhelmingly agree that having a guaranteed stream of income is their top goal. Source: Prudential Workplace Report on Retirement, Feb 2005.

Creating A Dialogue Opportunity

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Is this Strategy likely to be Successful for You?

<u>Attained Age</u>	<u>Likelihood of Living</u>	<u>Likelihood of Success</u>
75	84%	100%
85	53%	99%
95	17%	90%
105	1%	78%

- Did you know that a third of near retirees believe that an annual withdrawal rate of 7% from a retirement nest egg is likely to last for his or her lifetime? Source: MetLife Retirement IQ Survey, May 2003.
- Americans aged 55-64 overwhelmingly agree that having a guaranteed stream of income is their top goal. Source: Prudential Workplace Report on Retirement, Feb 2005.

Better Solution = Potential Sale

Longevity Protection for Your Portfolio

This calculator was created by MetLife. It will help you to estimate the amount of your total portfolio to allocate to the Personal Income Builder (PIB) so that the amount of the annual lifelong income you would begin to receive at age 85 would equal the Initial Annual Withdrawal increased at the Annual Increase Rate from the age you start withdrawals until age 85.

Retirement savings vehicles can potentially be depleted of money with only modest withdrawals if earnings don't keep pace with withdrawals¹. The PIB can protect you by providing a guaranteed² lifelong income that other retirement savings vehicles may not provide.

Fill in the inputs below then click the Recalculate button to see the results.

Enter Total Amount of Portfolio you want to Protect	<input type="text" value="\$1,000,000"/>
Select Age at which Withdrawals ¹ start from the Portfolio	<input type="text" value="65"/>
Enter Initial Annual Withdrawal ¹ you'll make from the Portfolio	<input type="text" value="\$50,000"/>
Select an Annual Increase Rate	<input type="text" value="0%"/>
Personal Income Builder (PIB) ³	
Monthly Income at age 85 per \$1,000 of Premium	<input type="text" value="\$60.33"/>

Recalculate

Results

If you allocate this percent of your Portfolio to PIB	<input type="text" value="6.9%"/>
At age 85, your estimated PIB Annual Income ⁴ would be	<input type="text" value="\$50,000.00"/>
The Portfolio remaining after the PIB purchase is	<input type="text" value="\$930,935.41"/>
Your Initial Annual Withdrawal ¹ of \$50,000 represents a withdrawal rate of 5.4% of your remaining Portfolio after the allocation to PIB.	

Print

Portfolio Protected for Longevity Risk!

Conclusion

- **Great ideas do not guarantee successful**
- **A winning idea is one that overcomes the challenges of execution *and acceptance***
- **Successful execution is both inward and outward looking**
- **Create the future and they will come!**