Non-Guaranteed Index Annuities

(Also known as Structured Annuities, Registered Index Annuities, Buffer Annuities, Shield® Annuities, And Floor Annuities)

The following information is intended to help you understand how non-guaranteed index annuities work. They also describe some of the risks with this type of annuity.

This is general information. Use these questions when you talk with an insurance producer about whether this type of annuity is right for you. Since there may be variations in how insurance companies design their annuities, ask the insurance producer to explain the details of the annuities you are considering buying and how the questions below relate to those annuities.

You should know:

- You could lose money
- In exchange for some loss protection, you may sacrifice potential gain
- In some instances, the potential loss may be much greater than the potential gain
- There may be limits on gains that could delay or prevent you from earning back losses

How does a non-guaranteed index annuity differ from a fixed or variable annuity?

The chart below shows some differences. Sometimes an annuity may offer a combination of fixed, fixed index, non-guaranteed index, or variable investment options within the same contract.

	Fixed Annuity	**Fixed Index Annuity**	**Non-guaranteed Index Annuity**	**Variable Annuity**
Direct Investment in Securities	No	No	No	Yes
Gain/Loss	Gain Only	Gain Only	Gain or Loss	Gain or Loss
Potential Loss of Principal	No	No	Yes	Yes
Limit on Gains	Yes. Interest you earn is declared by the insurance company each year.	Yes. Interest you earn may be limited by a cap.	Yes. Interest you earn may be limited by a cap.	No
Protection against Loss	Yes	Yes	Partial Protection (Buffer or Floor)	No

Will I benefit from dividends issued by companies that are part of an Index?

No, non-guaranteed index annuities often use a version of an index that does not include these dividends when determining index performance. So, the amount the insurance company credits to your account may be based on lower gains than if you invested in an index fund (through a variable annuity, for example). For example, over the ten-year period ending December 31, 2020, the returns on the S&P 500 Index without dividends were lower by an average of 2% each year compared to the same index with dividends. The returns on indexes other than the S&P 500 are also lower without dividends.

Can I lose money with a non-guaranteed index annuity?

Yes, the return may be positive, negative or zero. As a result, investment in this product may result in a loss of principal. In some instances, the potential loss may be significantly greater than the potential gain. See Question 8 below for examples. Fees in the contract can further reduce what you earn.

The non-guaranteed index annuity generally offers greater potential for gain but less loss protection than a fixed annuity or fixed index annuity. Fixed annuities and fixed index annuities guarantee a minimum interest rate. They also have a guarantee of principal. If you are concerned about losing principal, ask the insurance producer about the fixed and fixed index annuities the producer offers.

How does a “buffer” work?

With a buffer, the insurance company will not reduce your account value if the loss in the index is within a stated percentage. However, the insurance company will reduce your account value for additional loss in the index beyond that initial percentage.

For example, if the annuity has a buffer against loss of 10%, that means the insurance company will not reduce your account value if the loss in the index is between 0% and 10% over the period specified in your contract (“index period”). However, if the index loses more than 10%, the insurance company will reduce your account value. If the index loses 30%, for example, the insurance company will reduce your account value 20%. Put another way, with a 10% buffer, the most you could lose for the index period is 90% if the index loses 100% over the index period.

You may give up potential gain to have this loss protection. (See below).

How does a “floor” work?

With a floor, the insurance company will reduce your account value for any loss in the index up to a stated percentage. The insurance company will not further reduce your account value for additional loss in the index beyond that initial percentage.

For example, if the annuity has a floor against loss of 20%, that means the insurance company will reduce your account for loss in the index between 0% and 20% over the index period. Loss beyond 20% will not be subtracted from your account. Put another way, with a 20% floor, the most you could lose for the index period is 20%.

You may give up potential gain to have this loss protection. (Learn more below).

What is a “step credit”?

For annuities that don’t use a step credit, the amount the insurance company adds to your account depends on how much gain the index returns. The greater the gain, the greater the percentage credited to your account, up to any stated cap. However, a step credit works differently. With a step credit, the insurance company will credit your account the same preset percentage regardless of how much the index gains.

For example, if the step rate is 6%, then the insurance company will credit you 6% if there is any gain in the index. If the index returns 1%, you still get 6%. However, if the index returns 15%, you still get 6%.

Some insurance companies will also credit the step credit if the index return is zero. If the index loses value, your account value will be reduced, subject to any buffer or floor you have on your annuity.

Are there limits or “caps” on my potential gain with a non-guaranteed index annuity?

Yes, insurance companies often limit the amount of money you can earn with a non-guaranteed index annuity.

A “cap” is a common type of limitation. Caps limit the amount of gain. For example, if the insurance company sets a cap of 10%, then 10% is the most the insurance company will credit your account for the index period, regardless of how well the index performs. A step credit may also limit your potential gain.

At the same time, the amount of loss protection from a buffer or floor is also limited. The cap levels will often differ based upon the level of buffer or floor protection.

In some instances, the potential loss may be much greater than the potential gain. For example, if there is a cap on gain of 10% and a buffer against loss of 10%, that means that the most you could earn is 10% and the most you could lose is 90%, if the index loses 100% of its value over the index period.

Example 1: Consider an annuity with a 10% cap and a 10% buffer.

Index Movement During the Index Period	Impact on your Account Value
Index Gains 40%	10% Gain
Index Loses 40%	30% Loss

Example 2: Consider an annuity with a 10% cap and a 15% floor.

Index Movement during the Index Period	Impact on your Account Value
Index Gains 40%	10% Gain
Index Loses 40%	15% Loss

Could the limits on potential gain delay or prevent me from recouping losses?

Yes, in some instances the potential loss may be much greater than the potential gain. This can make it difficult to earn back losses.

For example, consider the table below that shows a series of losses and gains, without fees, over a four-year period with an initial $100,000 contribution to the annuity. Fees, such as variable annuity separate account fees, underlying fund fees, and other charges can impact performance.

Year	Index Movement	Variable Annuity	Buffer Annuity 7% Cap 10% Buffer	Floor Annuity 7% Cap 15% Floor	Floor Annuity 7% Cap 25% Floor
1	20% Loss	$80,000	$90,000	$85,000	$80,000
2	25% Gain	$100,000	$96,300	$90,950	$85,600
3	20% Loss	$80,000	$86,670	$77,308	$68,480
4	25% Gain	$100,000	$92,737	$82,719	$73,274
Overall		0% Break Even	$7,263 Loss	$17,281 Loss	$26,726 Loss

If you want exposure to the stock market or other investments included in an index and are willing to go without the limited loss protection to have greater potential gain, ask the insurance producer about the variable annuities the producer offers.

Will the same caps and index options always be available after the initial index period?

Not always. The insurance company can change the caps when it renews the index options at the end of each index period. Caps could be higher or lower.

The insurance company may temporarily suspend renewal index options (both the indexes offered and the length of the options). This can happen if market conditions make it difficult for the company to offer the options. Surrender charges may apply if you surrender the contract.

What if I want to take money out before the end of the index period?

You may not be able to move your money out of an index option to another investment within the annuity before the end of the index period.

You can take all or some of your money out of the annuity contract, but you may receive less than your initial investment in the index option. This may be true even if the index movement has been positive since your start date. The amount you receive may be less than the amount you would receive if you had waited until the end of the index period. Surrender charges and other adjustments to your account value may also apply.