Changing The Way Wholesalers Speak About Retirement Security

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Chief Executive Officer
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Wholesaler Survey

- NAVA Oct. ‘06 Advisor Survey
- Wholesaler Survey Response
- 307 Annuity Wholesalers ($24 Billion)
  - All Channels
  - All States Covered
- Small Sample of Mutual Fund Wholesalers

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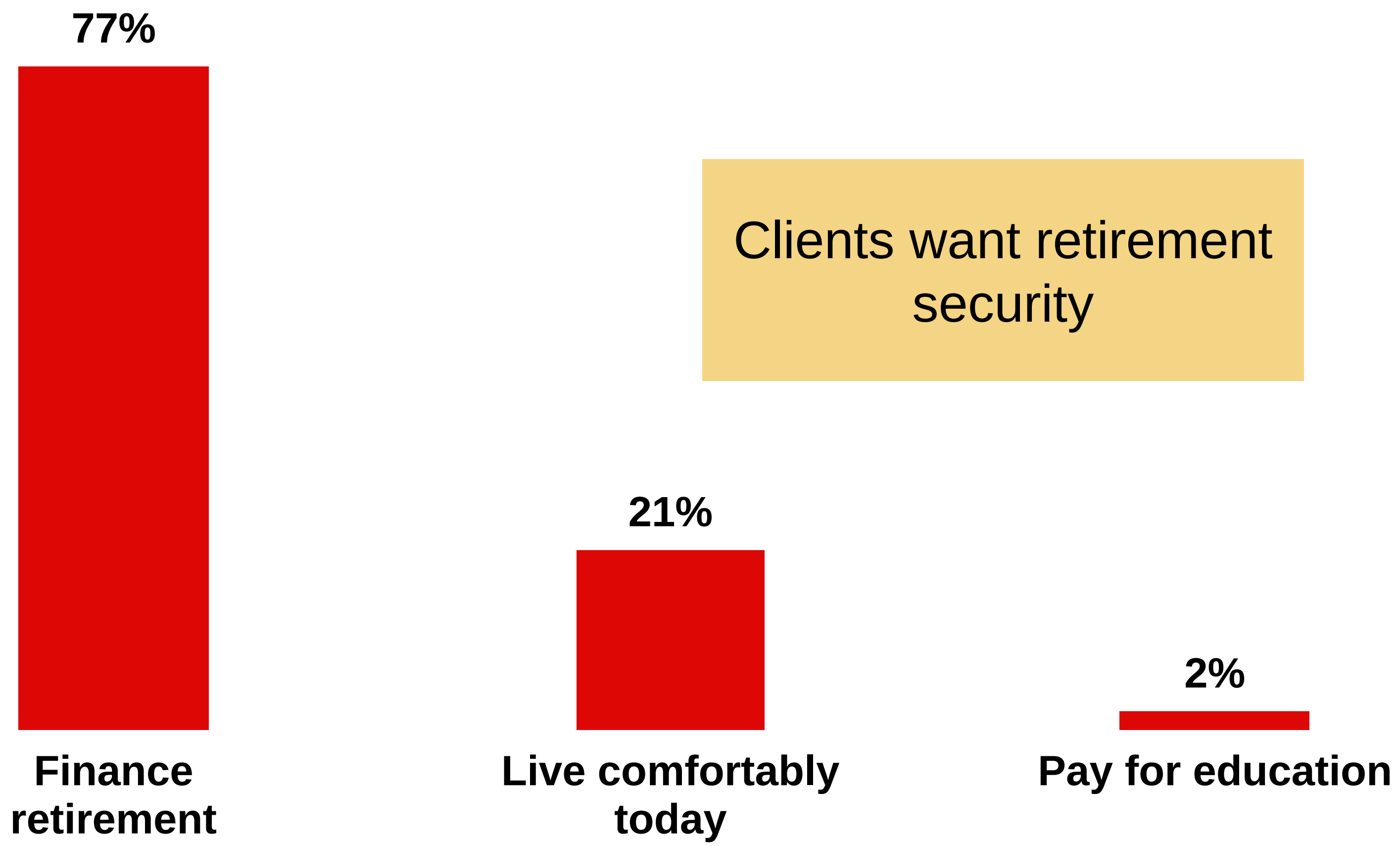
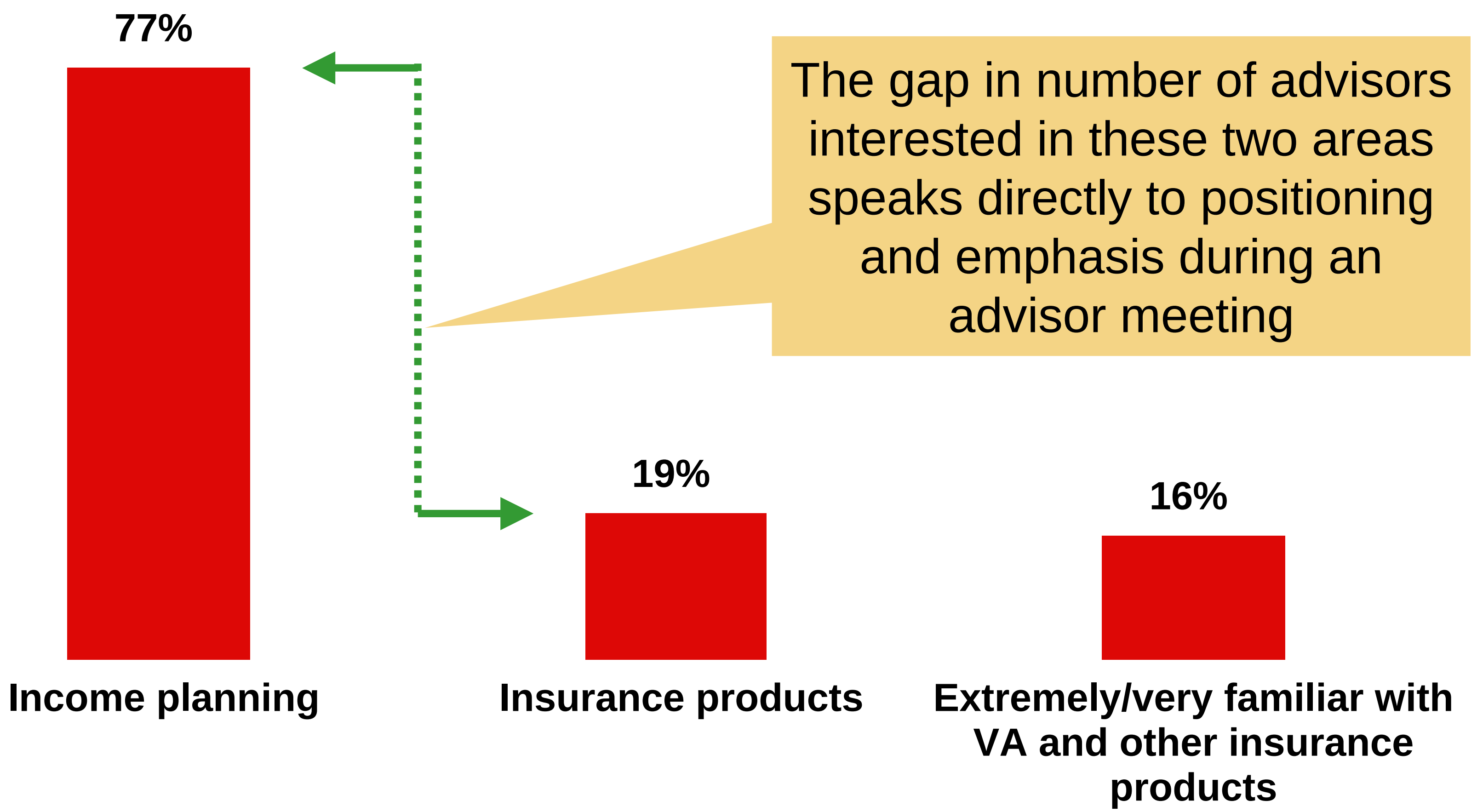
Advisor Client Savings Goal
Client's Primary Savings Goals



Clients want retirement security

Source: AllianceBernstein. July 2006

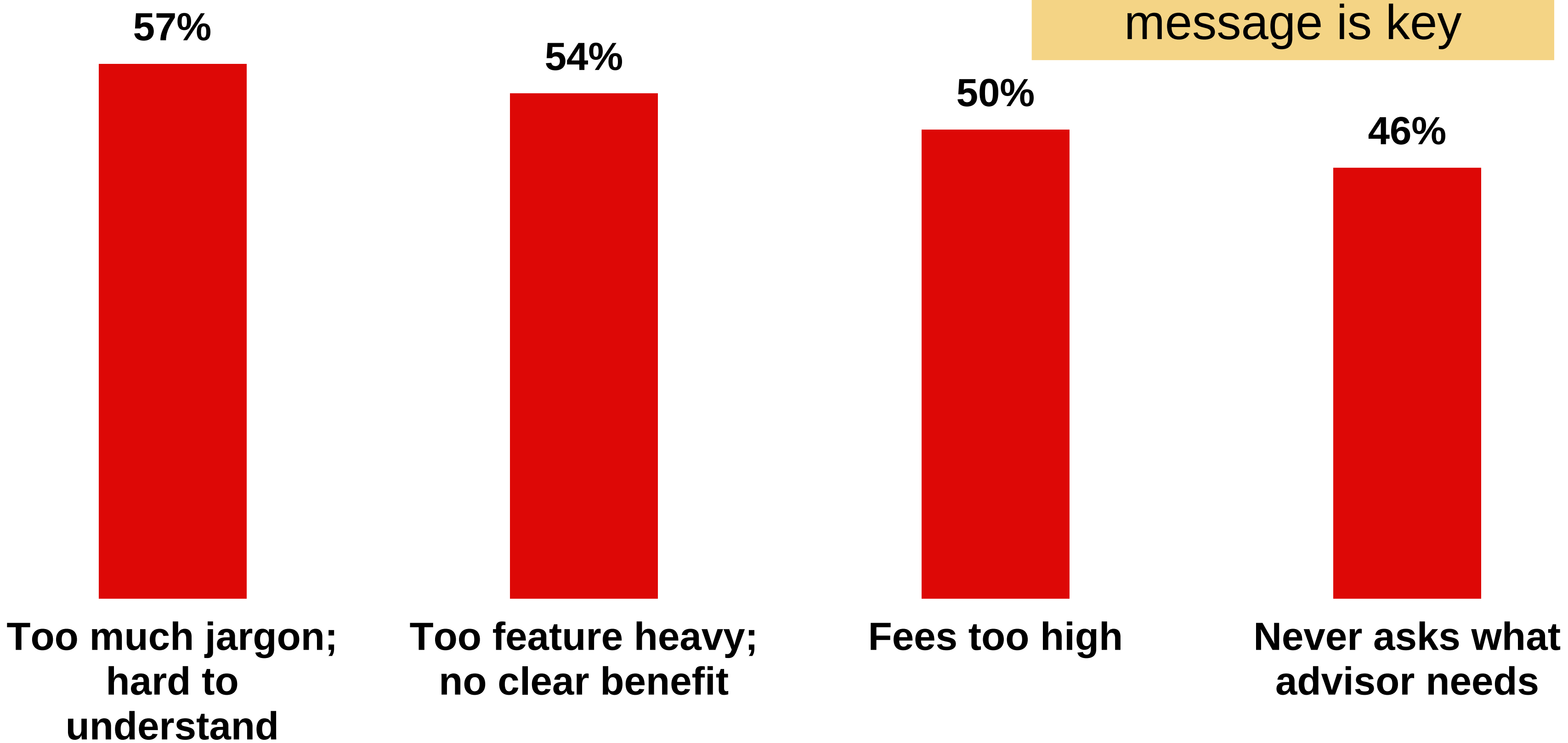
Advisor Survey Conclusions
Advisors' Interest in Training on…



Source: AllianceBernstein. July 2006

Advisor Survey
Primary Reasons for Decision to Not Sell VA's

Communicating the message is key



Note: %'s on this slide are based on qualitative responses. Responses were put into groups based on similarity of themes covered on qualitative discussions. Many discussions contained multiple reasons for decision not to sell annuities. The purpose of this slide is to create a sense of prioritization as it relates to the advisor decision process.

Source: AllianceBernstein. July 2006

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Annuity Intelligence Report

- Advisors Desire Simplicity and Clarity
- Wirehouses, Banks, Independents
  - All Advisor Access
  - 166 Contracts
- Consistent Format
  - Reduces Learning Curve
  - Speeds Sales Cycle
- Plain English
  - Planning Techniques
  - Explanation of Riders
- NASD Rule 2821
  - Helps meet required training & suitability standards

ANNUITY INTELLIGENCE REPORT™
By: Advanced Sales Corporation

ABC Variable Annuity Company
Advisor Premier III

Available Benefits

Living Benefits	
GMIB	Optional
GMAB	Optional
GMWB	Not Available
Lifetime GMWB	Optional
Death Benefits	
Return of Principal	Standard
Highest Anniversary	Optional
Fixed Percentage Increase	Optional
Earnings Enhancement	Optional

Contract Information

Contract Type	L Share
Prospectus Date	5/1/2006
Supplement Date	9/20/2006
Date of Last Update by ASC	9/25/2006
Website	www.abclife.com
Phone Number	(800) 555-5555

Surrender Schedule

Years of CDSC's	3 years
Surrender Schedule	6,5,4
Liquidity Features	Greater of earnings or 10% of total purchase payments

Expenses & Fees

Mortality & Expense Risk Charge	1.25%
Administration Charge	0.15%
Distribution Charge	0.25%
Total Annual Expense	1.65%
Annual Policy Fee	$35
Annual Policy Fee Waived If Anniversary Value Is Equal To Or Greater Than	$50,000

Contract Operation - Where Does the Contract Pay?

Controlling Life: Owner

Owner	Joint Owner	Annuitant	Death of	Pays To
Husband	Wife	Husband	Husband	Joint Owner
Husband	Wife	Husband	Wife	Joint Owner
Husband		Wife	Husband	Primary Beneficiary
Husband		Wife	Wife	No Payout
Trust		Husband	Husband	Primary Beneficiary

A substitution or addition of any contract owner may result in resetting the death benefit to the contract value. No change in death benefit will be made if the person whose death will cause the death benefit to be paid is the same after the change in ownership or if ownership is transferred to the owner's spouse.

Spousal Benefits & Continuation

	Yes	No
Can either spouse trigger the Guaranteed Death Benefit?	✓	
If spousally continued is Death Benefit credited?	✓	
If spousally continued is CDSC waived?	✓	

Sample Titling For Obtaining Spousal Benefits On A Non-Qualified Contract:

Owner	Joint Owner	Annuitant	Contingent Annuitant	Primary Beneficiary	Contingent Beneficiary
Husband	Wife	H or W	Blank	Anybody	Anybody

Issue Ages and Contribution Information

Non-Qualified	0-85	Owner & Annuitant	$10,000 Initial	$50 Additional
Qualified	0-85		$10,000 Initial	$50 Additional

Subaccount Information

Number of Subaccounts	43	Free Transfers Per Year	12
Subaccount Fee Range	0.77% to 1.42%	Transfer Fee	25*

*Currently not enforcing transfer fee

Benefit Name	Benefit Type	Impact of Withdrawals
Guaranteed Minimum Accumulation Benefit	GMAB	Proportionate
Guaranteed Minimum Income Benefit	GMIB	Dollar-for-dollar & proportionate
Guaranteed Withdrawal Benefit for Life	Lifetime GMWB	No impact up to limit; thereafter benefit resets
Earnings Enhancement Benefit	Death Benefit	Proportionate
Enhanced Guaranteed Minimum Death Benefit	Death Benefit	Proportionate or dollar-for-dollar
Roll-Up Death Benefit (4% or 5%)	Death Benefit	Proportionate
Standard Death Benefit	Death Benefit	Proportionate

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Wholesaler Survey Results

- Demographics
- Practice Management
- Retirement Security

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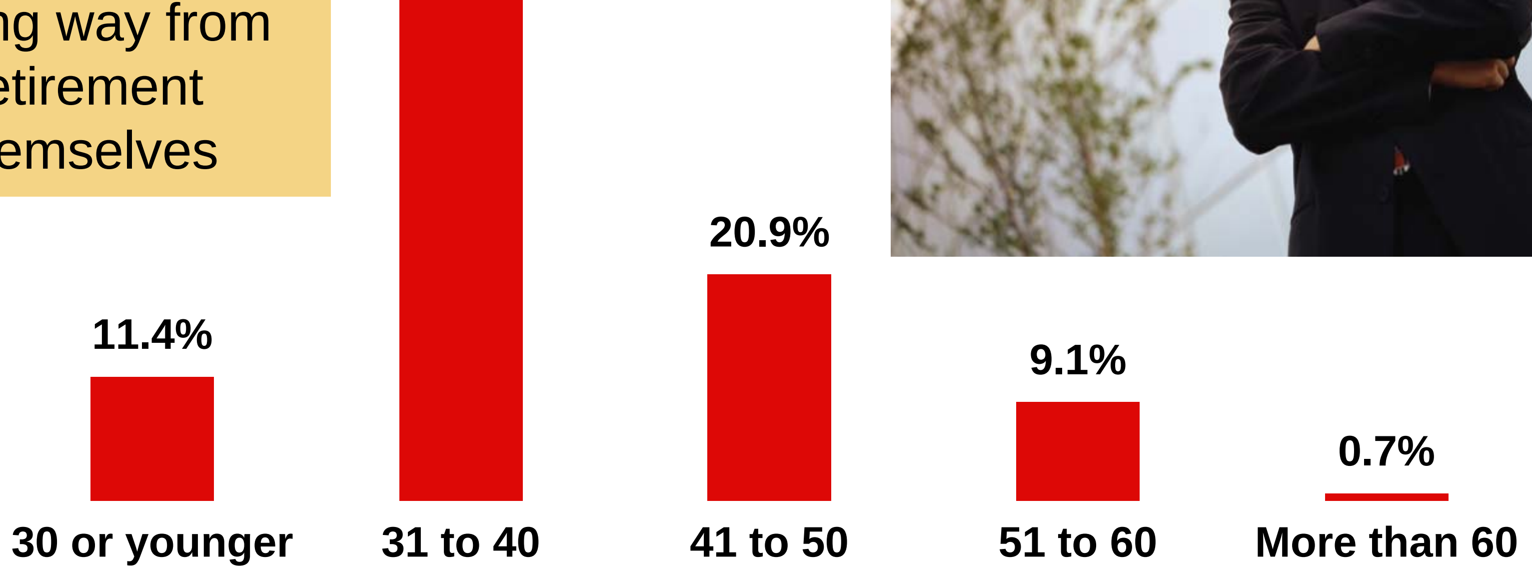
Wholesaler Survey: Demographics
Age-Average 38.6

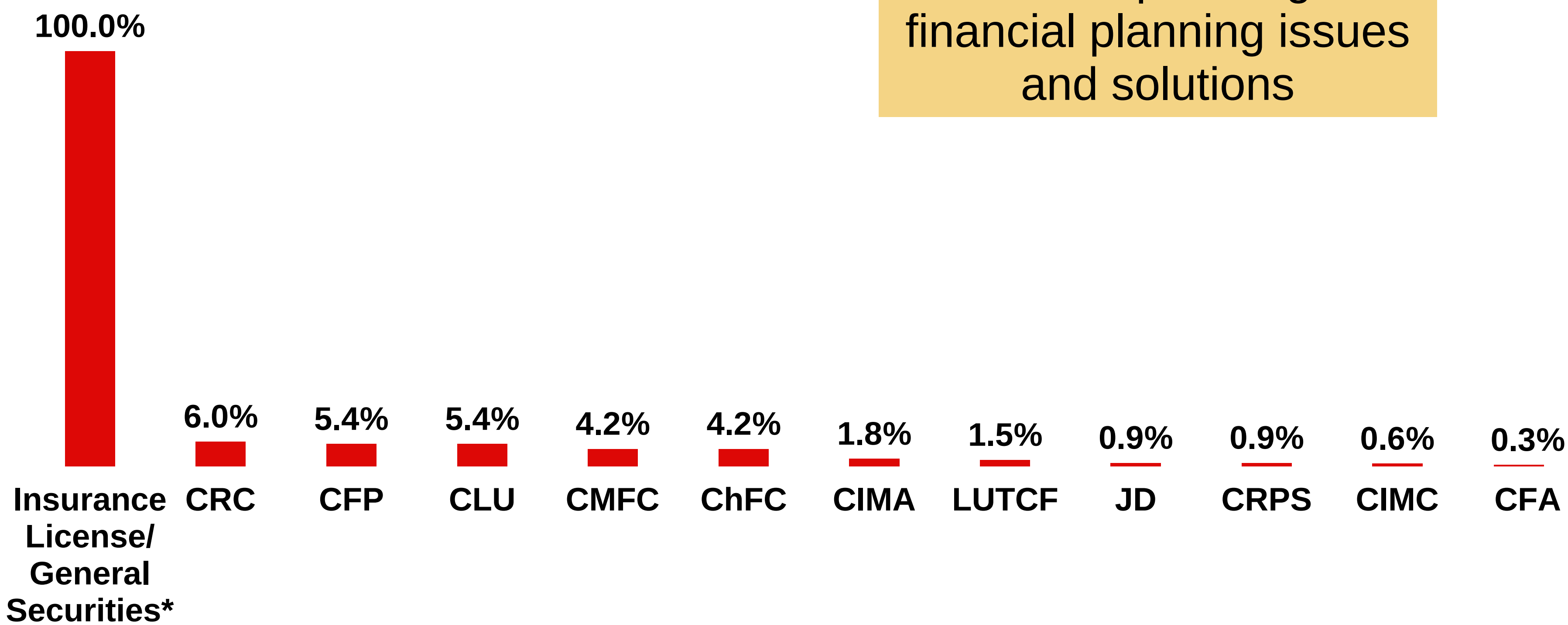
The vast majority of wholesalers are a long way from retirement themselves



Source: Cerulli Associates, Advanced Sales: 2007 (Question 2)

Wholesaler Survey: Demographics
Professional Designations

Wholesalers have little formal training on retirement planning and financial planning issues and solutions



*State Insurance License Plus Some Combination: 7,6,65,63,26,24,3

Source: Cerulli Associates, Advanced Sales: 2007 (Question 3)

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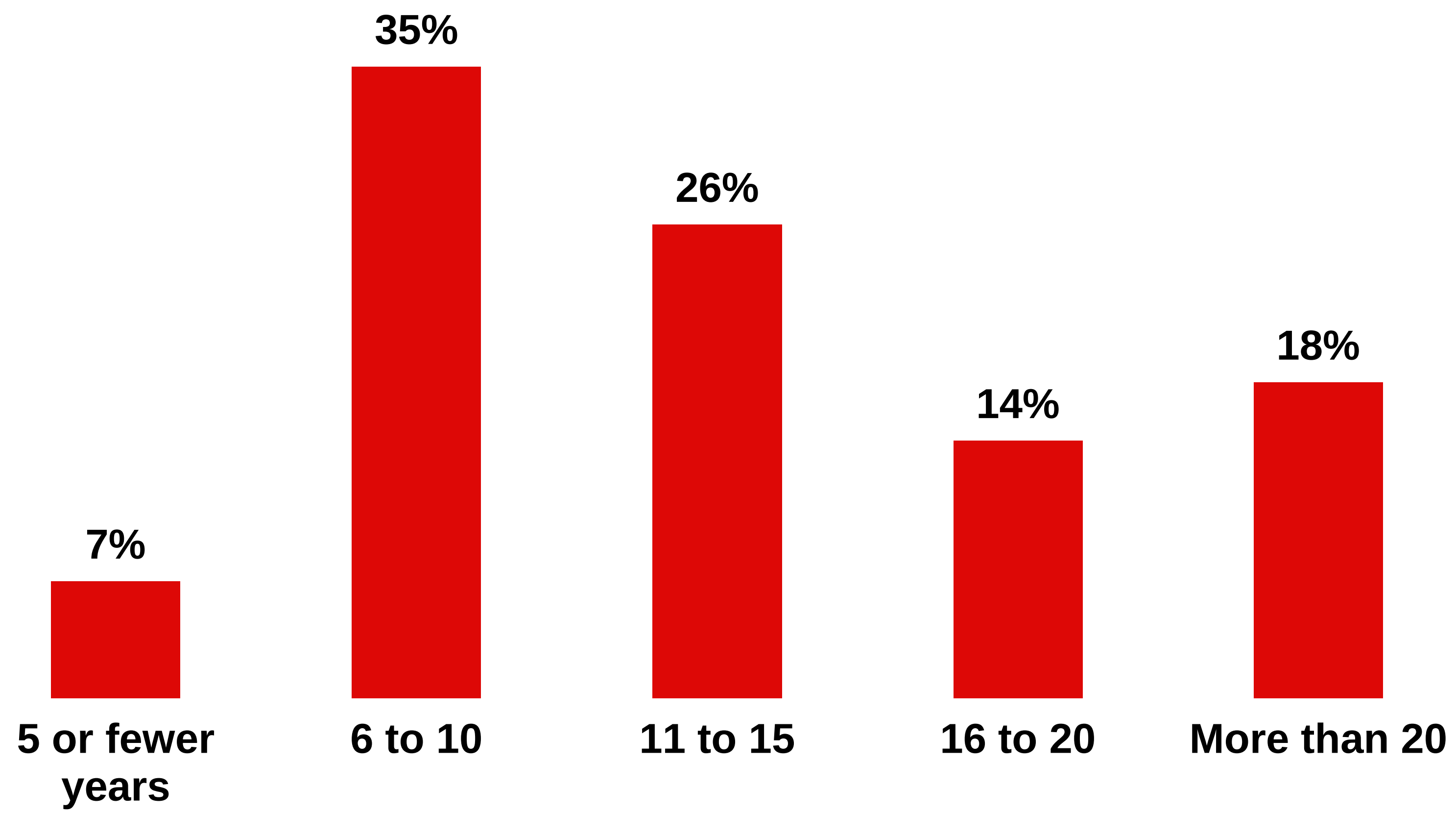
Wholesaler Survey: Demographics
Industry Experience – Average 13.8 Years



Source: Cerulli Associates, Advanced Sales: 2007 (Question 4)

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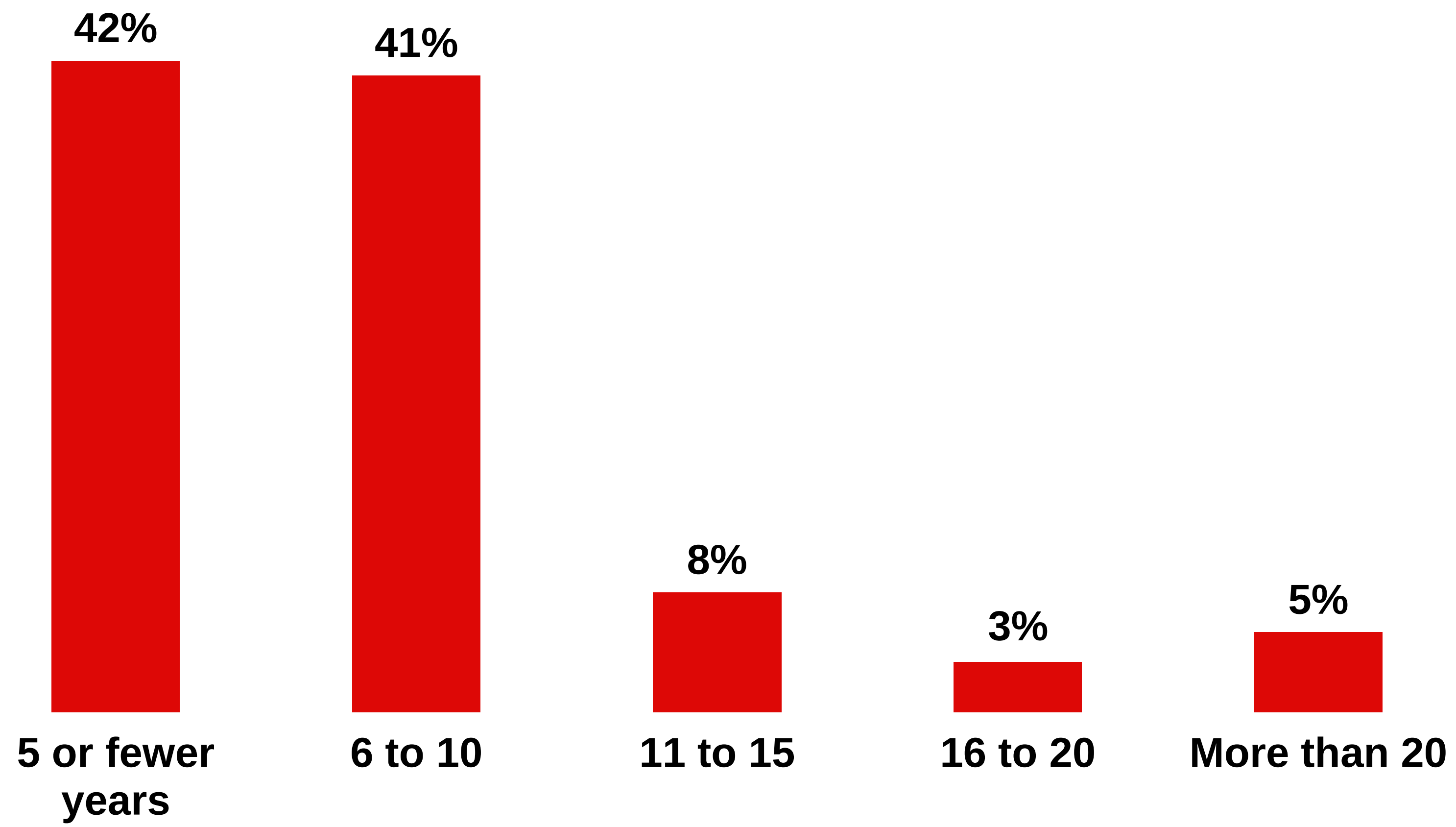
Wholesaler Survey: Demographics
Field Experience – Average 7.2 Years



Source: Cerulli Associates, Advanced Sales: 2007 (Question 5)

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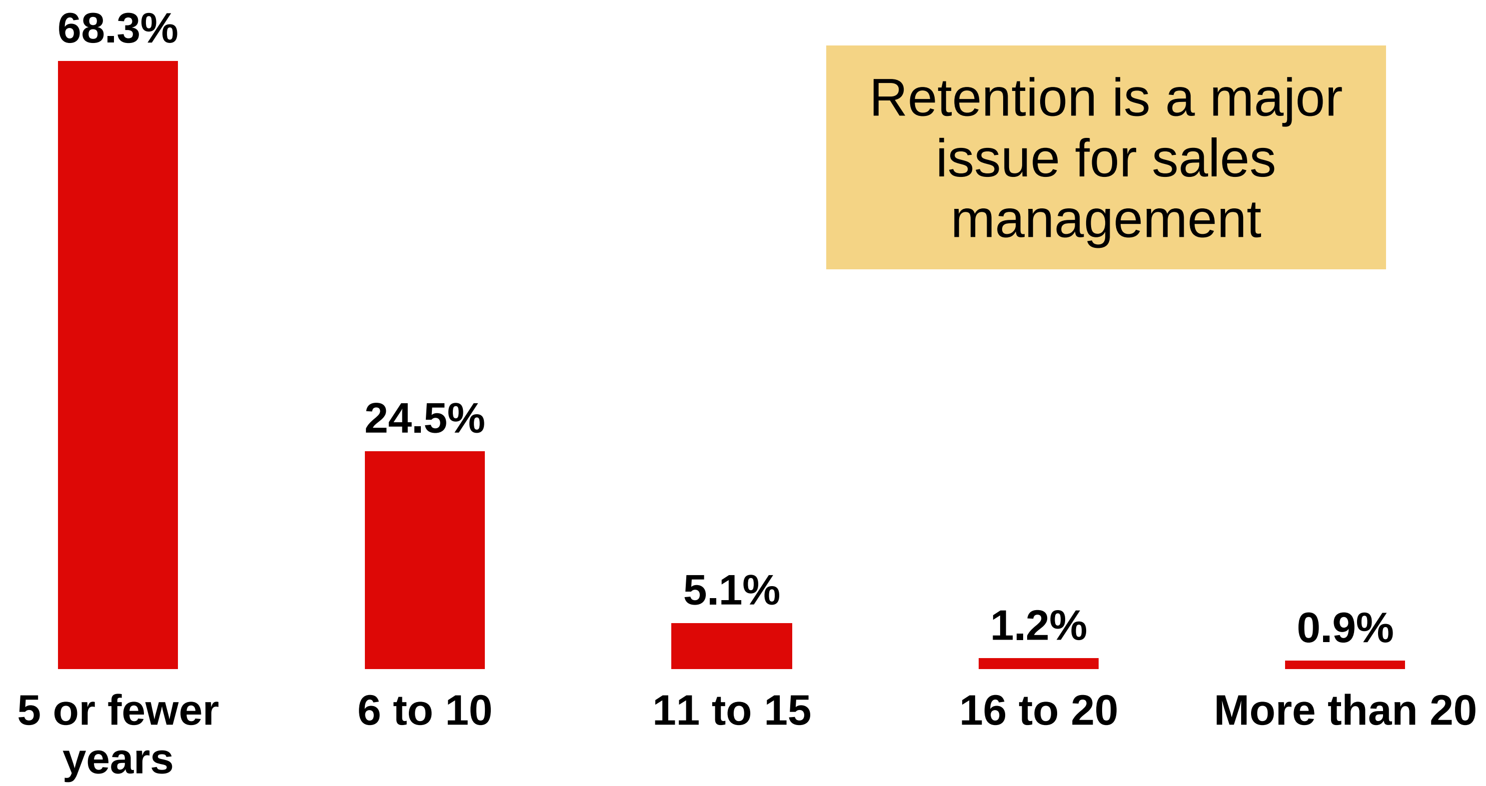
Wholesaler Survey: Demographics
Years At Current Firm – Average 4.5



Retention is a major issue for sales management

Source: Cerulli Associates, Advanced Sales: 2007 (Question 6)

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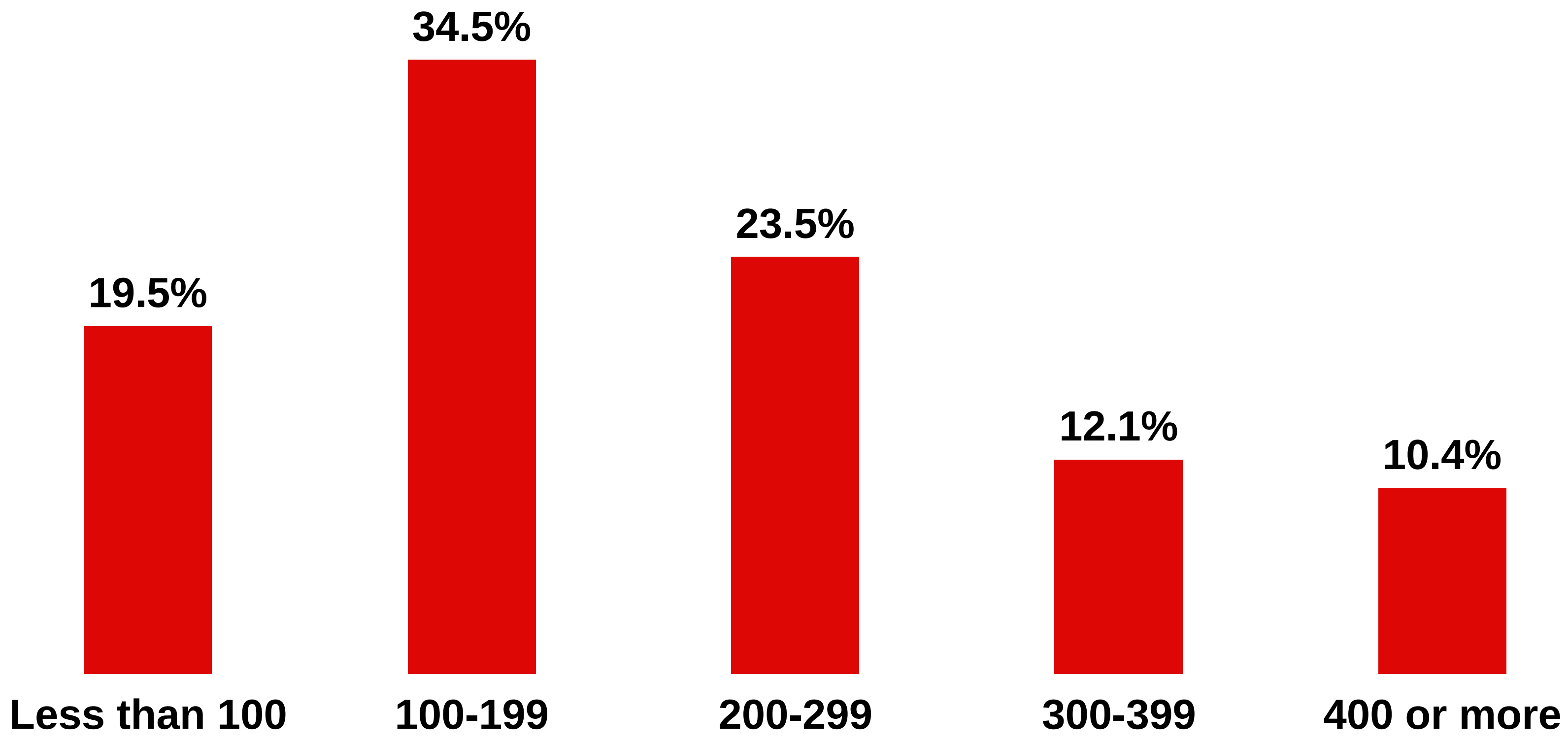
Wholesaler Survey: Demographics
Number Selling Advisors (2006) – Average: 193



Source: Cerulli Associates, Advanced Sales: 2007 (Question 7)

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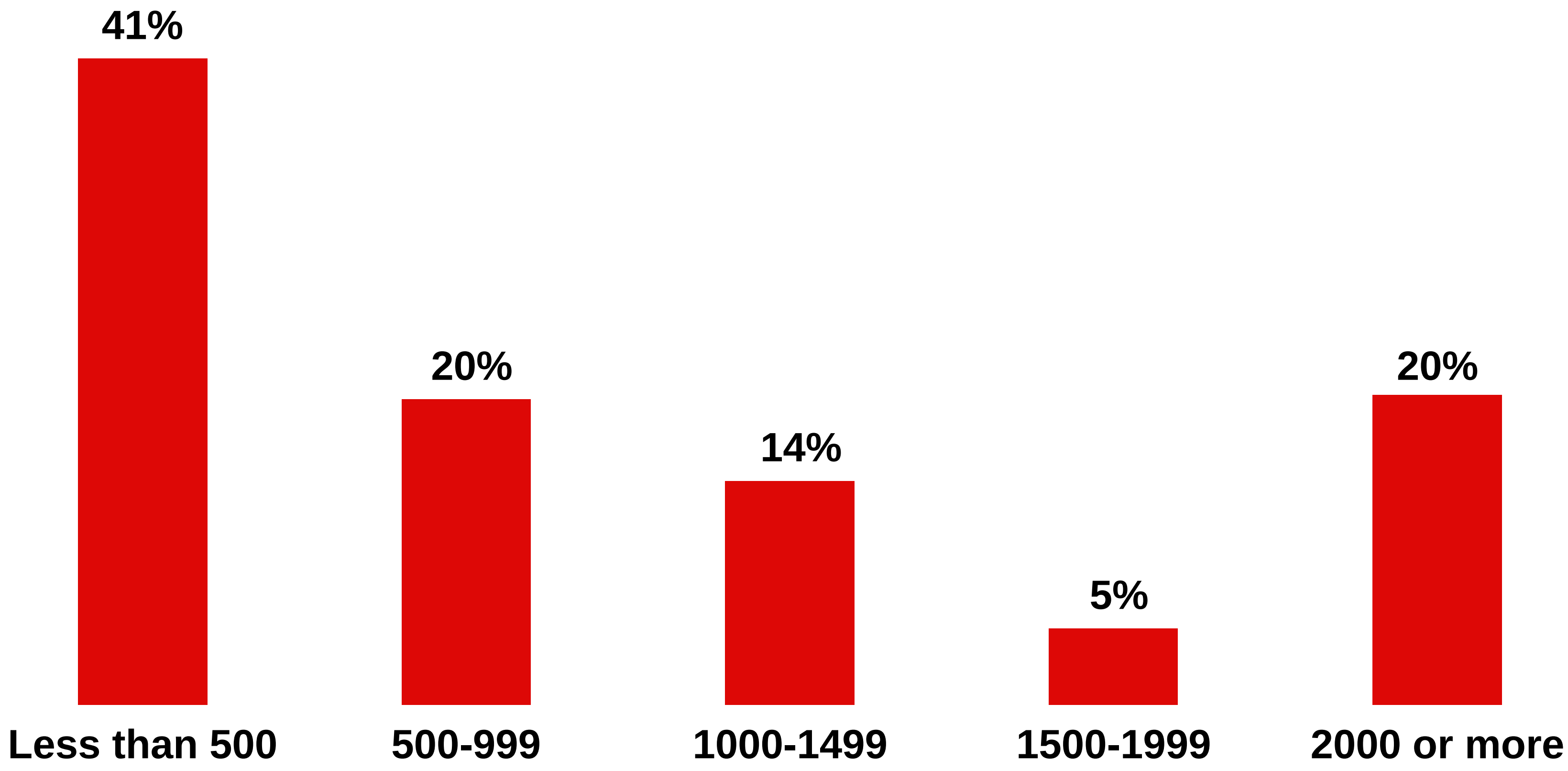
Wholesaler Survey: Demographics

Number of Prospects in Your Territory – Average: 1,045



Source: Cerulli Associates, Advanced Sales: 2007 (Question 8)

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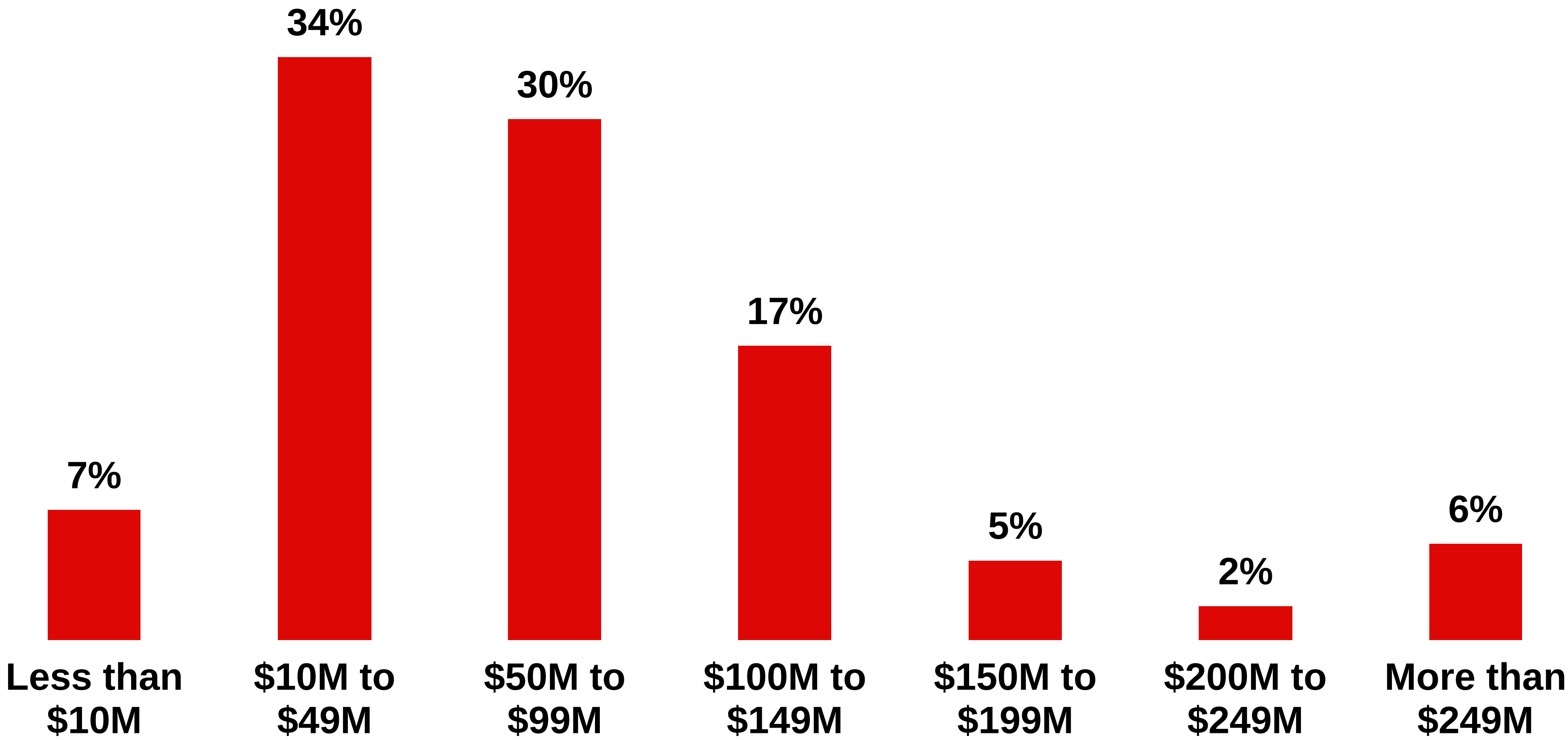
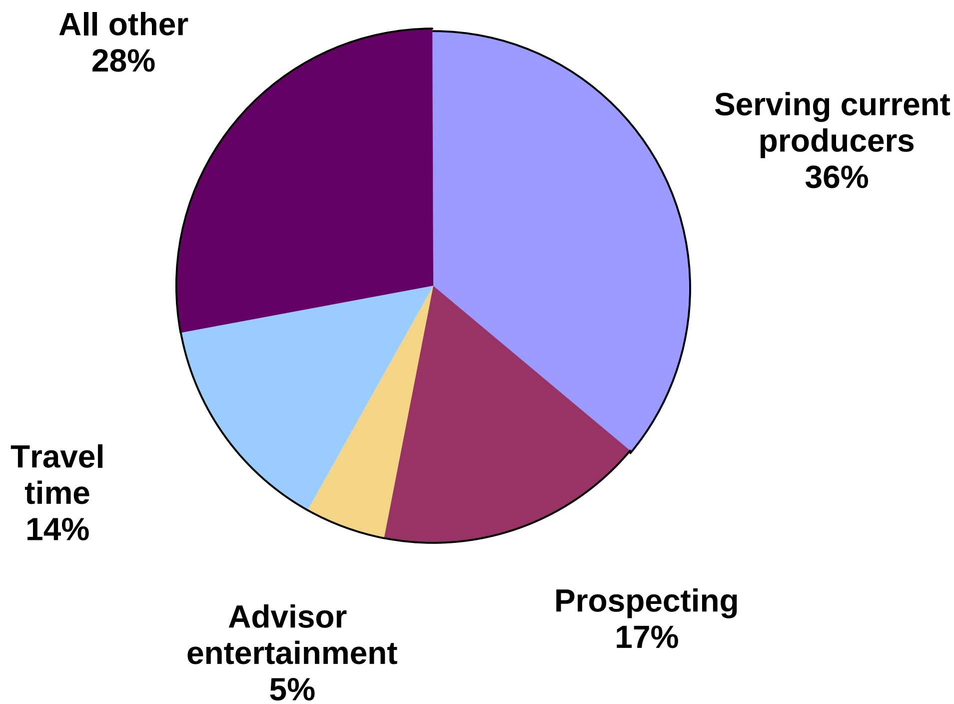
Wholesaler Survey: Demographics
Territory Sales ($Millions) – Average $77.8



Source: Cerulli Associates, Advanced Sales: 2007 (Question 10)

Wholesaler Survey: Practice Management
How Wholesalers Spend Their Territory Time



Source: Cerulli Associates, Advanced Sales: 2007 (Question 17 & 18)

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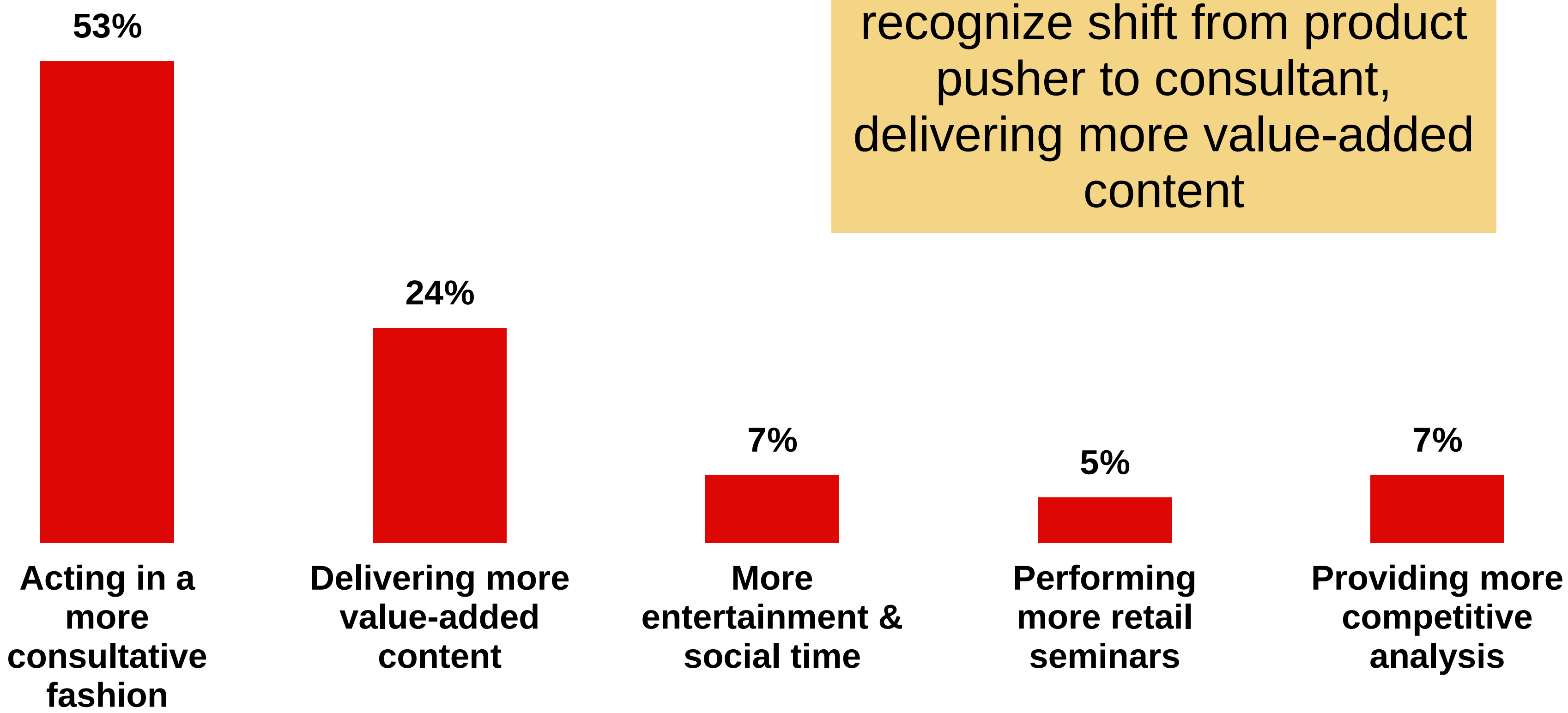
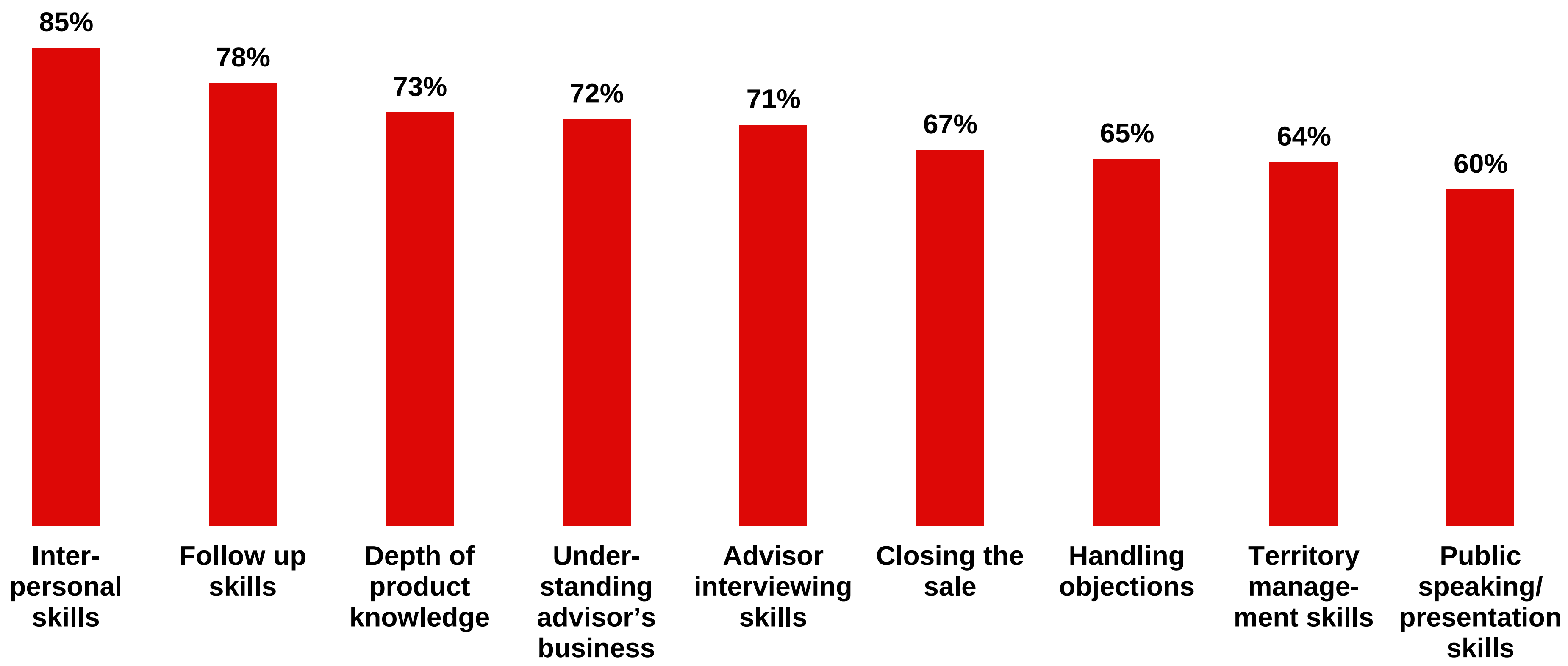
Wholesaler Survey: Practice Management
Greatest Change In How You Will Spend Time With Advisors



77% of wholesalers recognize shift from product pusher to consultant, delivering more value-added content

Source: Cerulli Associates, Advanced Sales: 2007 (Question 19)

Wholesaler Survey: Practice Management
Wholesaler Skills – Extremely Important



Source: Cerulli Associates, Advanced Sales: 2007 (Question 21)

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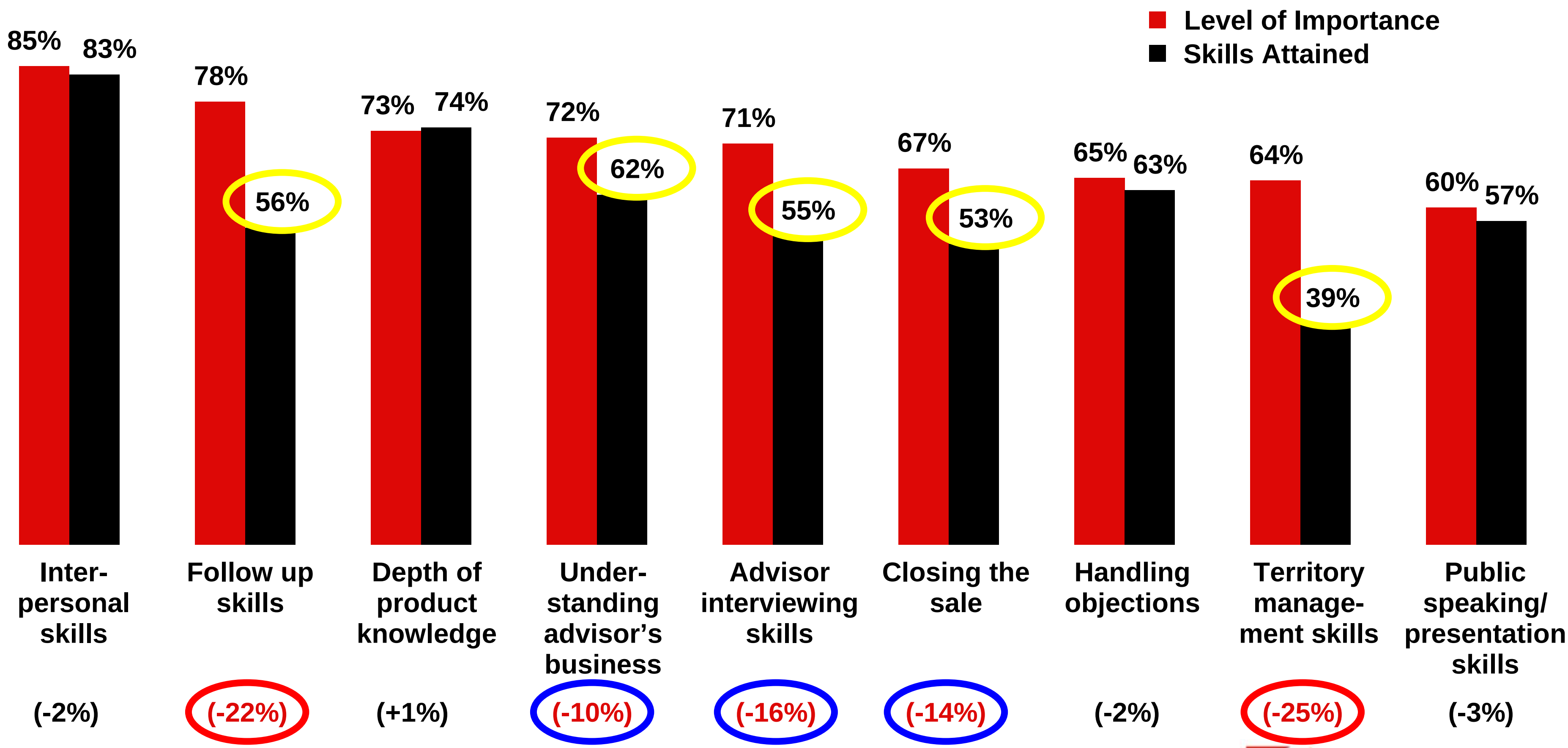
Wholesaler Survey: Practice Management
Wholesaler Skills – Attained



Source: Cerulli Associates, Advanced Sales: 2007 (Question 21 &22)

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Wholesaler Survey: Practice Management Training Desired – (Multiple Answers Allowed)

Wholesalers have a high desire for specific training

Source: Cerulli Associates, Advanced Sales: 2007 (Question 14)

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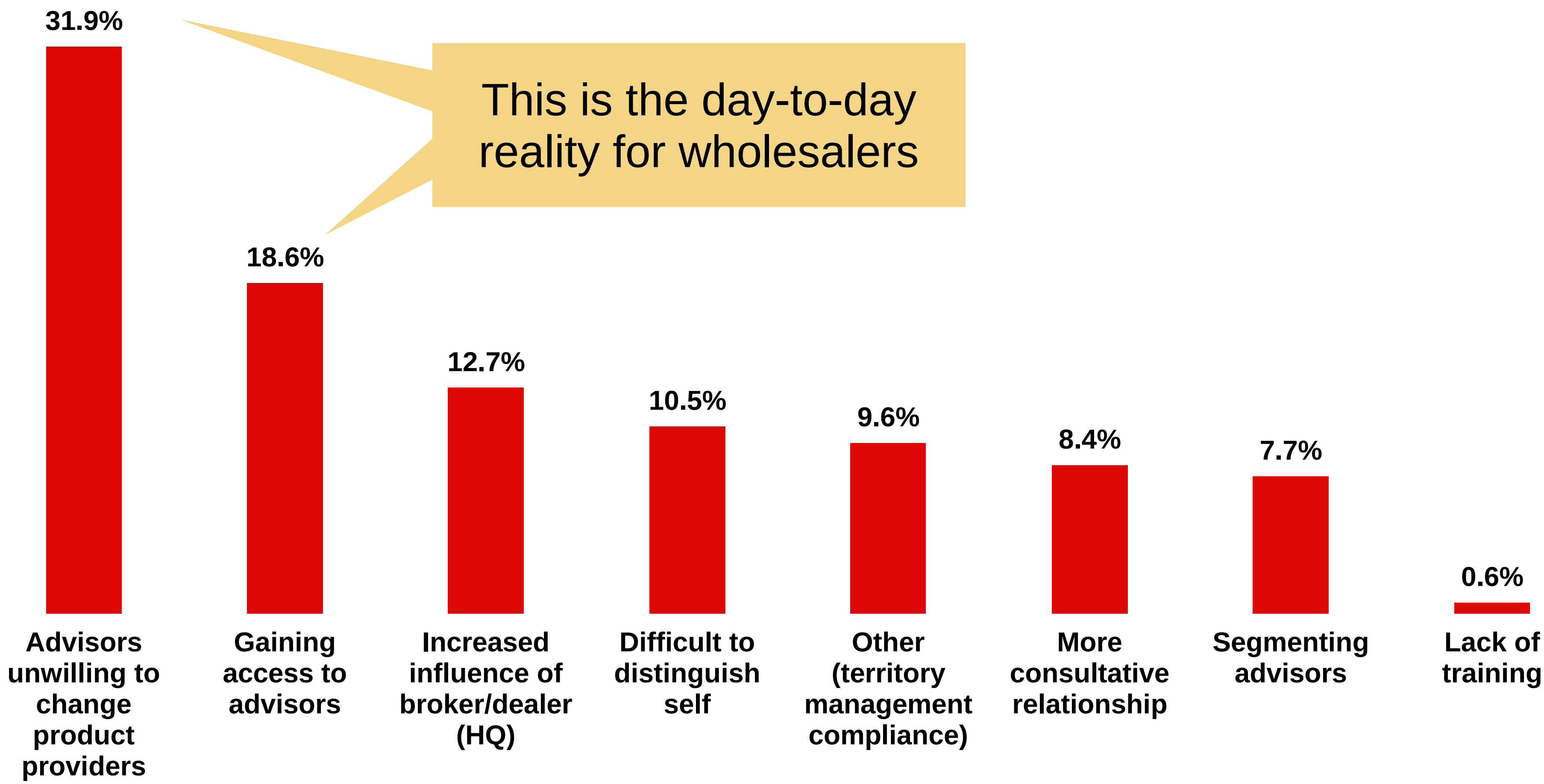
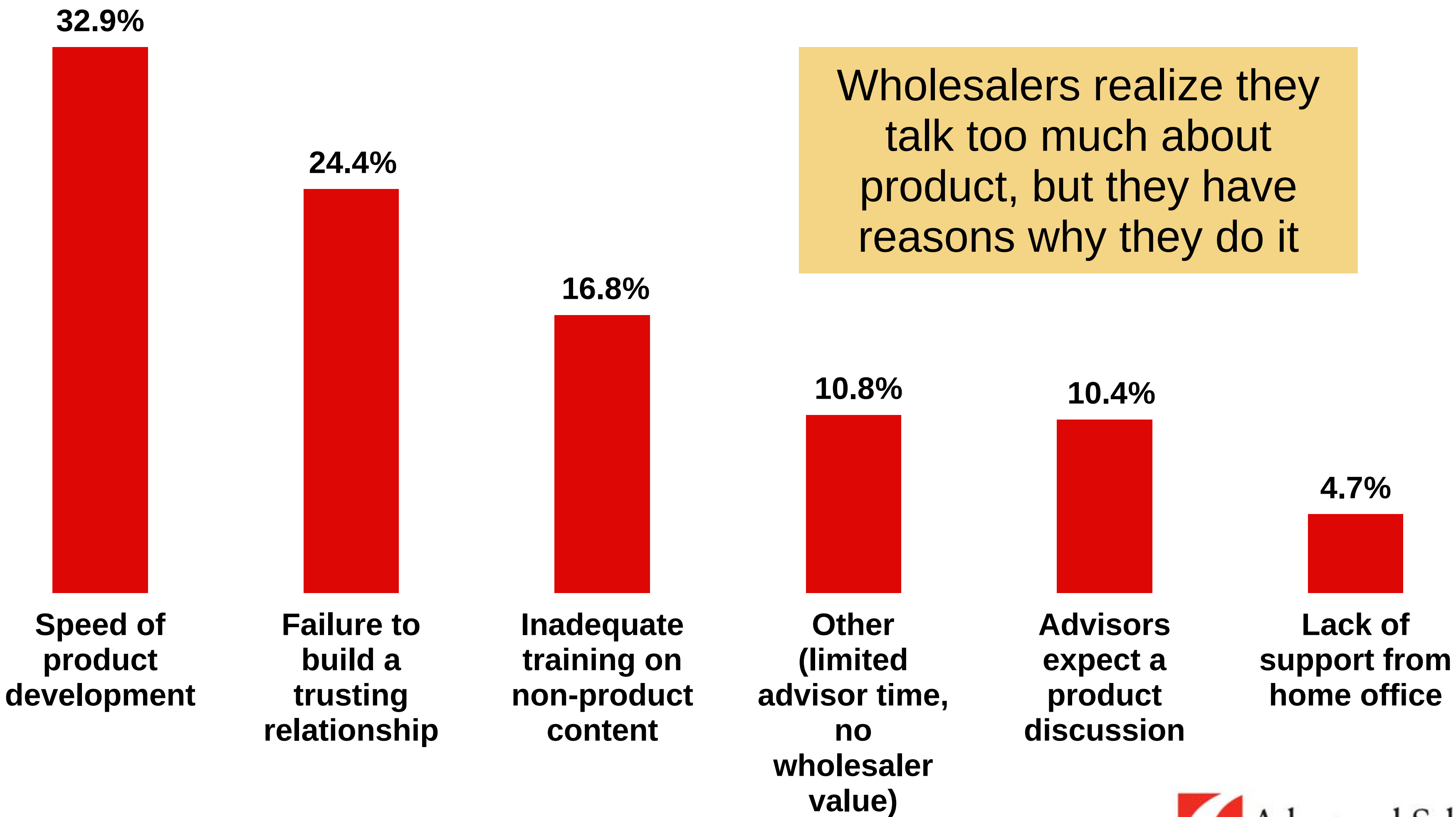
Wholesaler Survey: Practice Management
Greatest Challenge As A Wholesaler



Source: Cerulli Associates, Advanced Sales: 2007 (Question 26)

Wholesaler Survey: Retirement Security

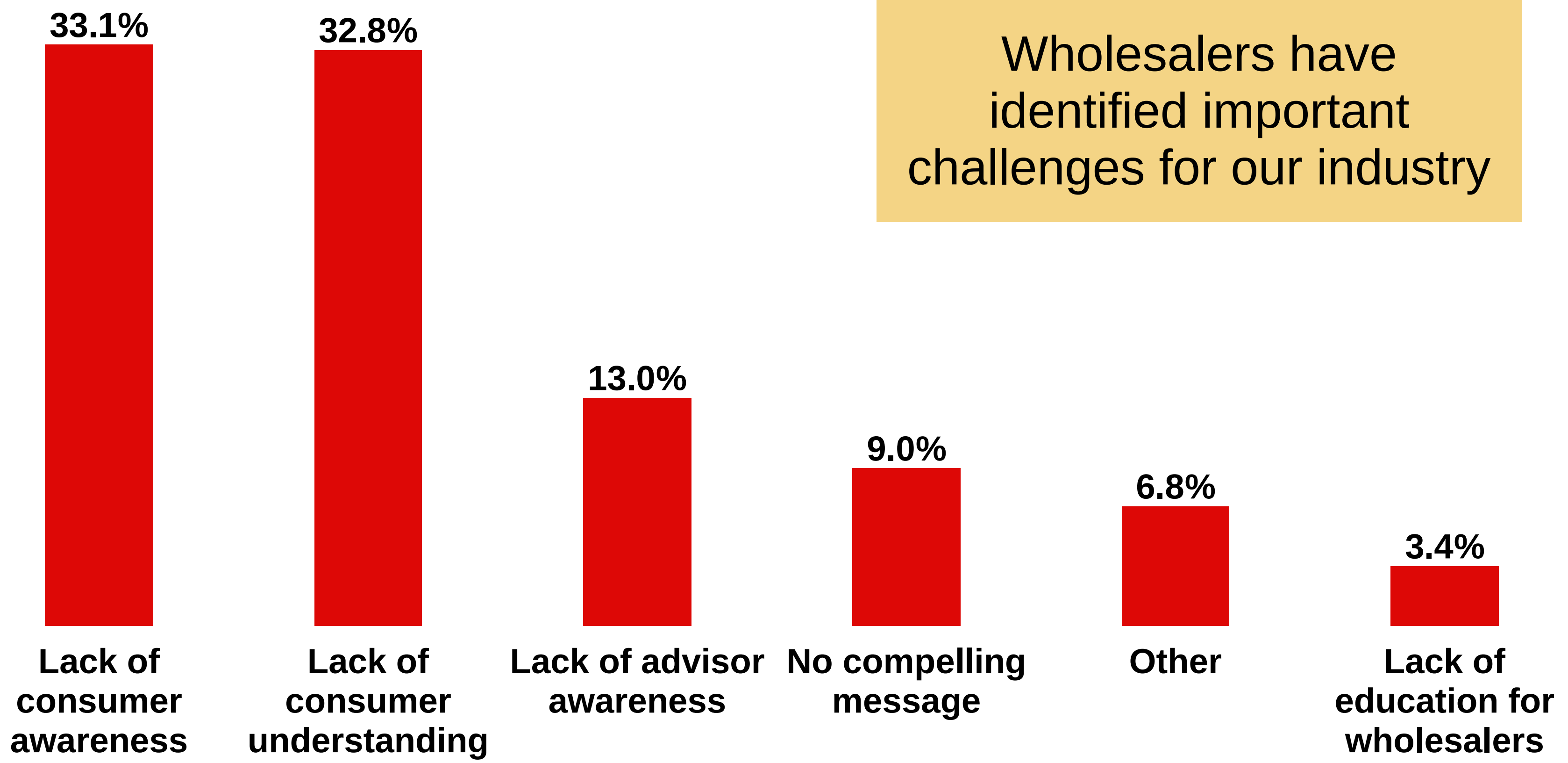
Advisors Say Wholesalers Talk Too Much About Product, and Fail to Understand Their Business. Why?



Wholesalers realize they talk too much about product, but they have reasons why they do it

Source: Cerulli Associates, Advanced Sales: 2007 (Question 35)

Wholesaler Survey: Retirement Security
Industry's Greatest Obstacles in Discussing Retirement Planning



Wholesalers have identified important challenges for our industry

Source: Cerulli Associates, Advanced Sales: 2007 (Question 29)

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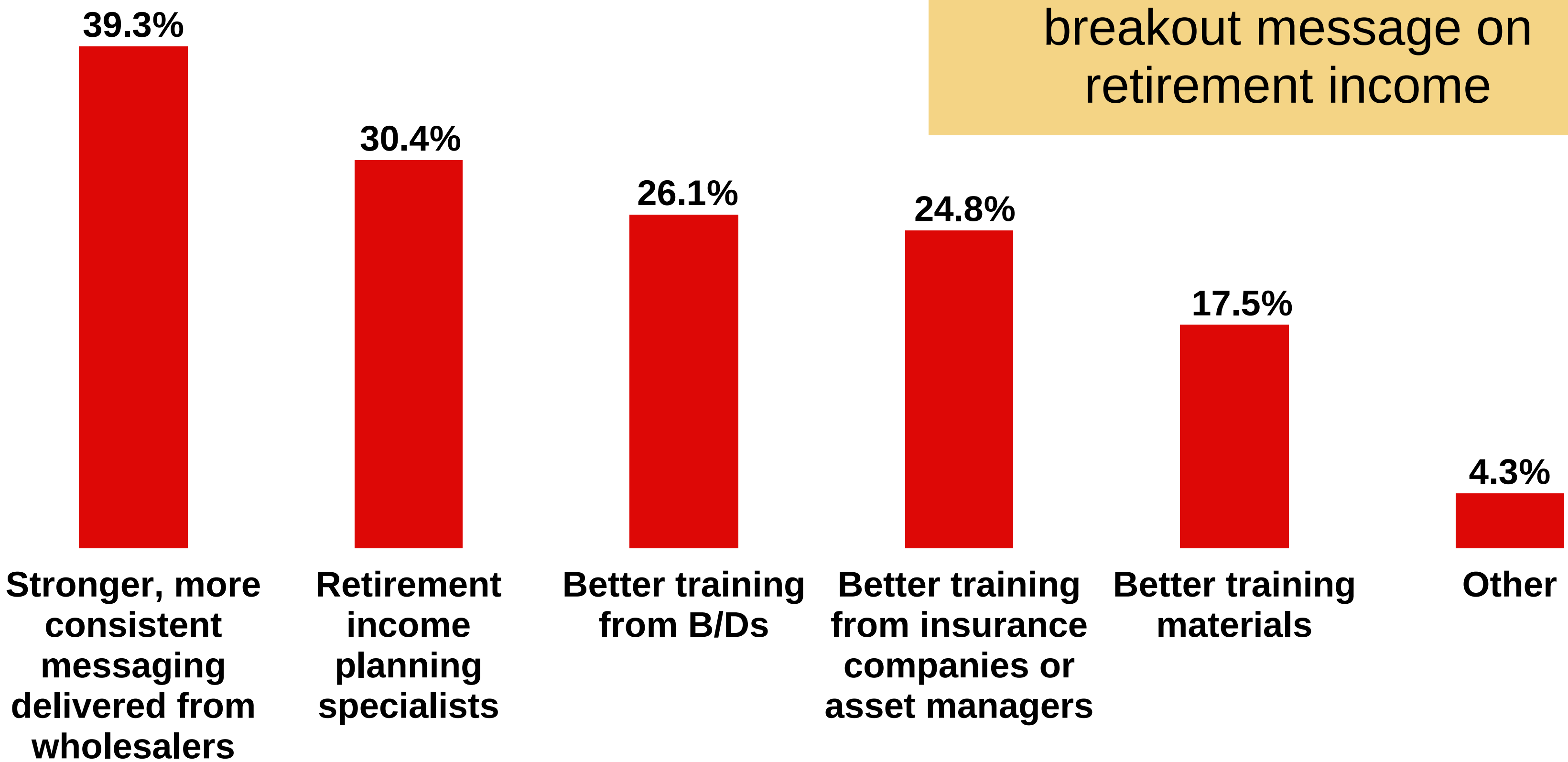
Wholesaler Survey: Retirement Security
Most Valuable Resources in Educating Advisors

Wholesalers do not believe we have developed the breakout message on retirement income



Source: Cerulli Associates, Advanced Sales: 2007 (Question 30)

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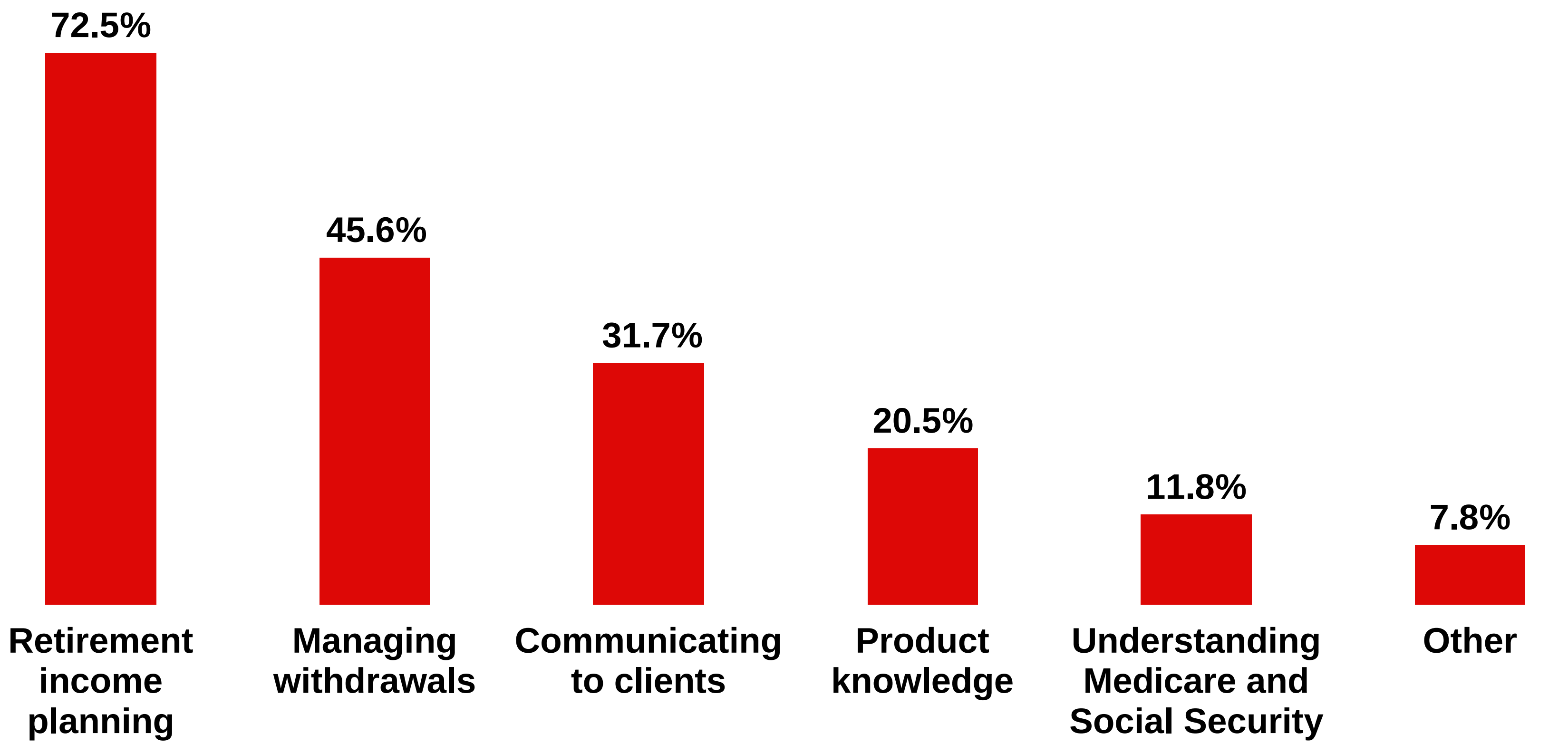
Wholesaler Survey: Retirement Security Training Advisors Would Find Most Helpful?



Source: Cerulli Associates, Advanced Sales: 2007 (Question 31)

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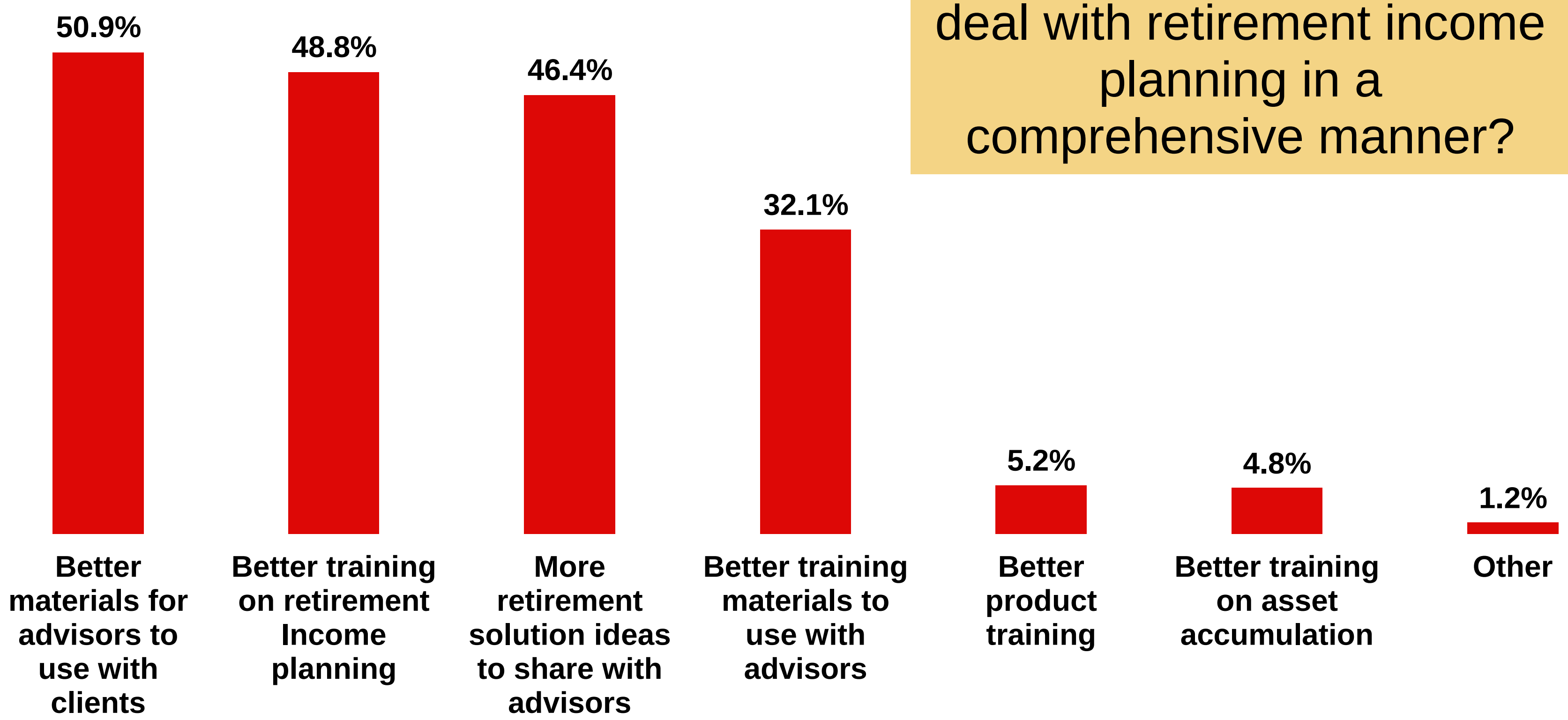
Wholesaler Survey: Retirement Security

Most Valuable Resources to Discuss Retirement Planning

Do insurers really have non-product materials that deal with retirement income planning in a comprehensive manner?



Source: Cerulli Associates, Advanced Sales: 2007 (Question 32)

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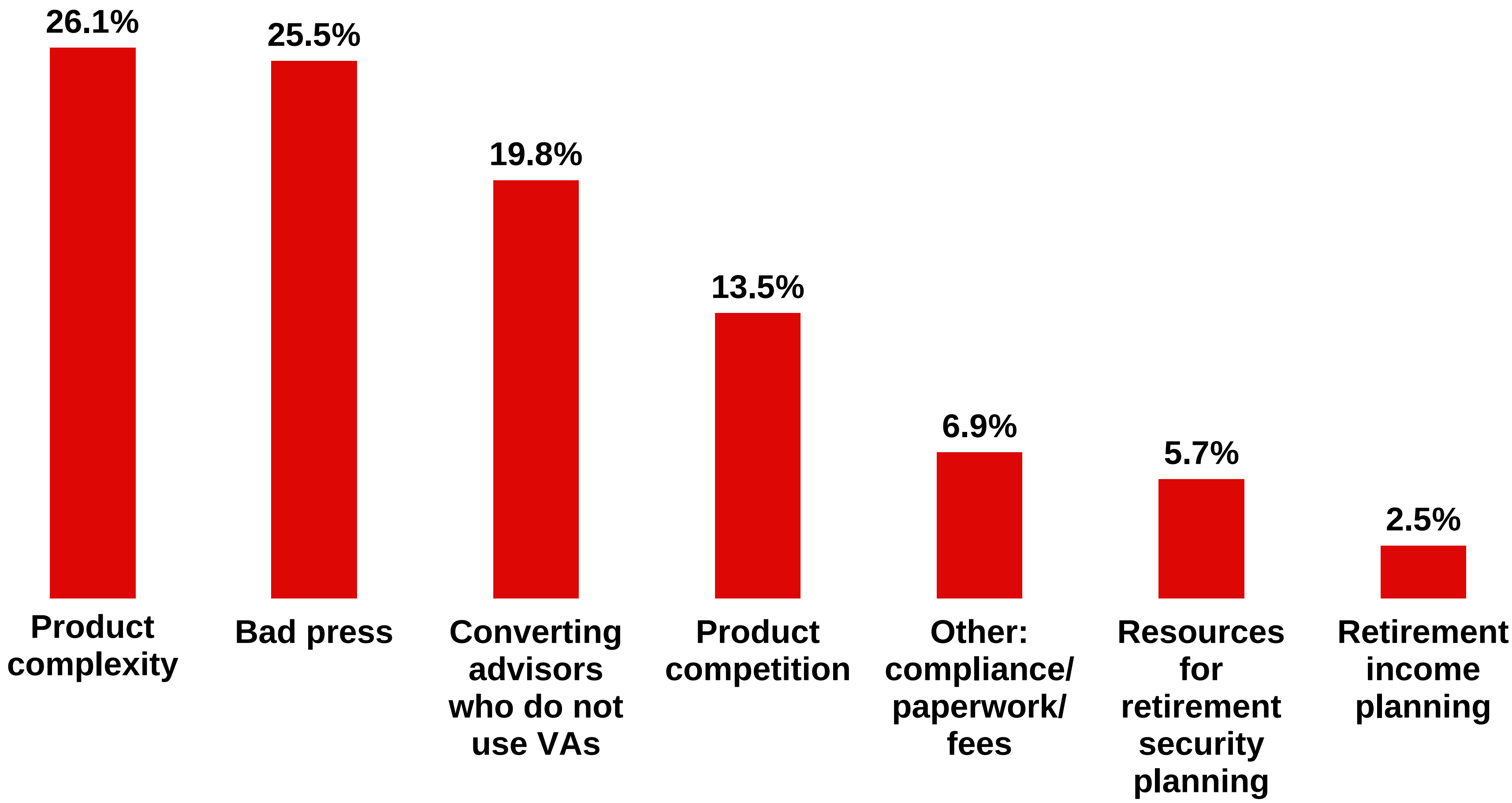
Wholesaler Survey: Retirement Security
Greatest Challenge For Variable Annuity Industry



Source: Cerulli Associates, Advanced Sales: 2007 (Question 36)

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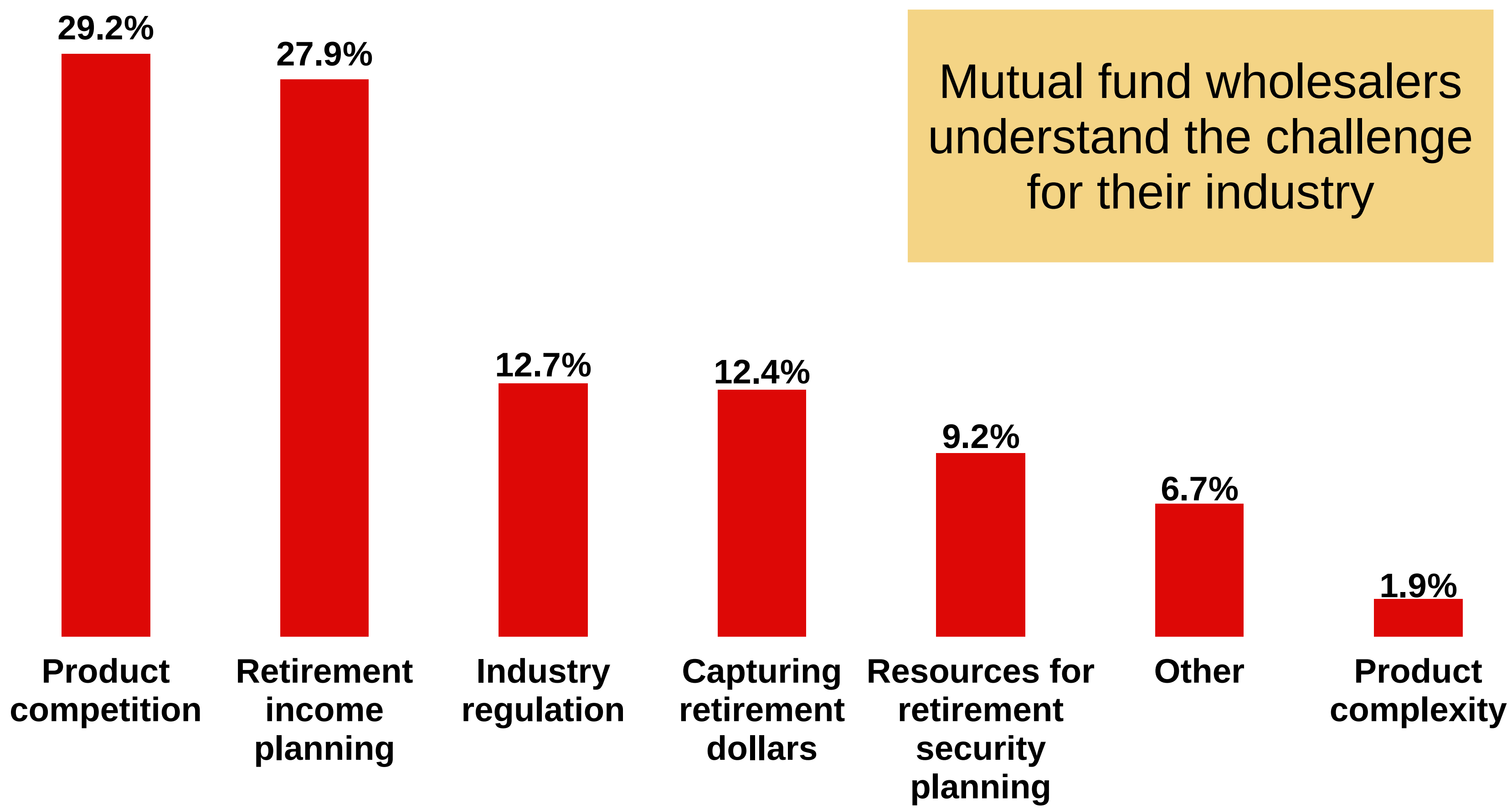
Wholesaler Survey: Retirement Management
Greatest Challenge For Mutual Fund Industry



Mutual fund wholesalers understand the challenge for their industry

Source: Cerulli Associates, Advanced Sales: 2007 (Question 37)

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Wholesaler Survey Summary
Demographic Observations

- Wholesalers Are Not Prepared to Be Consultative in the Retirement Security Area
  - No Pre-Retire/Retiree Life Experience (38 yrs. Old)
  - No Professional Designations (94%)
  - Minimal Retirement Planning Education
  - Less Experience Than Advisors

Wholesalers need training in two areas: The Consultative Selling Process and Retirement Security Content

Wholesaler Survey Summary
Practice Management Observations

- Why Wholesalers Talk About Product/Fail To Understand Advisors Business
  - Speed of Product Development (Advisors Expect Product Discussion)
  - Lack of Non-Product Materials And Training
  - Failure to Build Trusting Relationship
  - Majority of Time Spent With Annuity Savvy Advisors
- Wholesalers Have Time Challenges
  - 53% of Territory Time with Producers & Prospects
  - 47% of Territory Time Doing Other Things
  - 16% of Total Time Not in the Territory

Wholesaler Survey Summary
Practice Management Observations

- Wholesalers Plan to Change Time Spent With Advisors
  - Recognize Need for More Consultative Selling
  - Deliver More Value-Added Content

- Perception Gap: We Need to Define "Consultative Selling"

- Wholesalers Want Training/Skill Gaps
  - Advanced Planning/Professional Designation, CFP
  - Competitive Product Analysis
  - Territory Management/Time Management
  - Advisor Interviewing Skills
  - Big Picture Retirement Planning Training

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Wholesaler Survey Summary
Retirement Security Observations

- Greatest Retirement Income/Planning Obstacles
  - Lack of Customer Awareness & Understanding of Issues
  - Advisors Currently Use Unsophisticated Asset Withdrawal Methods and Do Not Really Understand Challenges of Retirement Income
  - Annuity Industry Lacks Compelling Message
  - Wholesalers Not Trained Well to Meet The Challenge
- Wholesalers Want Resources To Educate Advisor
  - Stronger Messages
  - Retirement Income Specialists
  - Better Training, Better Materials, Better Tools
  - Advisors Want Training On:
    - Retirement Income Planning
    - Managing Withdrawals
    - Communicating Story to Clients

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Wholesaler Survey Summary
Retirement Security Observations

- Industry Challenges
  - Product Complexity
  - Bad Press
  - Converting Non-Annuity Advisors
  - Compliance, Paperwork, Fees
  - Holistic Marketing & Training Programs on Retirement Planning

Wholesalers have a number of challenges that are distracting them from a retirement security focus.

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