Insurance Products Glossary

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**A**

**Annuity**

A contract between an individual and an insurance company under which the insurer promises to make periodic payments to the individual (or another designated person) for an indefinite period (e.g., the life of the individual) or for a set period. The individual buys the annuity with either a single payment or a series of payments.

**Annuity Commencement Date**

The date set forth in the annuity contract on which annuity payments will start. Also known as the “annuity start date.”

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**C**

**Cash Refund Annuity**

An annuity that makes periodic payments for the life of an individual and a benefit payable to a beneficiary upon death equal to the premium(s) paid less payments made to the individual.

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**D**

**Deferred Annuity**

An annuity contract under which periodic income payments begin at a future date. See *Annuity Commencement Date*.

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**F**

**Fixed Annuity**

An annuity that accumulates savings or distributes income at guaranteed rates and in guaranteed amounts. Fixed annuities are associated with less investment risk than variable annuities due to the guaranteed minimum rate of interest offered.

**Fixed Income Contracts**

Investments generally issued by insurance companies or banks that pay a set interest rate over a set time period, with a promise to repay the principal at maturity. The issuer of the contract bears any risk associated with the securities underlying the contract. Often called *Guaranteed Investment Contracts*.

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**G**

**Group Annuity Contract**

An annuity contract entered into between an insurance company and an owner for the benefit of a designated group, such as retirement plan participants.

**Guaranteed Interest Account**

An account within a fixed annuity or a variable annuity that is guaranteed by the insurance company to earn at least a minimum rate of interest while invested in the contract.

**Guaranteed Investment Contracts**

Investments generally issued by insurance companies or banks that pay a set interest rate over a set time period, with a promise to repay the principal at maturity. Risk is considered low if the contracts are issued by a financially sound organization. The issuer of the contract bears any risk associated with the securities underlying the contract. Also called *Fixed Income Contracts*.

**Guaranteed Lifetime Withdrawal Benefit or Guaranteed Minimum Withdrawal Benefit**

A feature that may be offered under an annuity contract in which the insurance company promises an individual may withdraw a specified amount from an account, even if the account balance is reduced to zero: (1) for the life of the individual or the joint lives of two individuals (e.g., the individual and spouse); or (2) for a specified period of time.

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**I**

**Immediate Annuity**

An annuity contract under which periodic income payments begin within 12 months of purchase.

**Individual Annuity Contract**

An annuity contract generally entered into between an insurance company and a person or persons.

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**J**

**Joint and Last Survivor Annuity**

An annuity that provides periodic payments for the joint lives of two individuals with benefits payable upon the death of one individual to the surviving individual at, for example, 50%, 75%, or 100% of the original payment amount, depending upon the terms of the contract.

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**L**

**Life Annuity**

An annuity that makes periodic payments only for the life of one individual. Also known as "single life annuity."

**Longevity Risk**

The risk that you will live longer than expected, with the potential result that you run out of money before you die.

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**M**

**Mortality and Expense Risk Charge**

A fee associated with an annuity contract, stated as a percentage of account value to cover the insurance company’s costs for insurance-feature risks it assumes under the contract.

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**P**

**Period Certain**

A payment feature that may be available in an annuity contract that guarantees periodic payments for no less than a set period of time. For example, in a life annuity, periodic payments would be made for the longer of either: (1) the guaranteed period, to the individual or a beneficiary, or (2) the life of the individual.

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**S**

**Surrender Charge**

A sales charge incurred when an investor withdraws money from an annuity within a certain period after purchase.

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**V**

**Variable Annuity**

A type of annuity that generally permits the investor to choose from a wide range of investment options, such as equity and bond funds (subaccounts), during the contract’s accumulation phase. During the contract’s accumulation phase, the contract value varies based on the performance of the underlying subaccounts. At the start of the contract’s payout phase, the investor may have a choice of receiving fixed payments or variable payments that may fluctuate based on portfolio subaccount performance.

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