



CHANGE CREATES OPPORTUNITY

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**“Change,” as the saying goes, “creates opportunity.”**

It was from this time-tested axiom that the idea for the Annexus Group was born. We know the companies that quickly and appropriately meet the rapidly changing needs and demands of the marketplace will come out on top. From the beginning, the Annexus Group has believed that behind the growing list of challenges facing the financial services industry lay enormous opportunities to crack the code and solve the increasingly complicated retirement puzzle that faces Americans today.

To meet these challenges, Annexus Group principals Ron Shurts and Don Dady leveraged their combined 35 years of experience in product design and management, marketing, distribution and sales to create one of the most powerful teams in the financial services industry.

### **A 360 Degree Perspective**



The Annexus team has brought together some of the most talented professionals in the marketplace to build a new model. This integration of knowledge has produced a powerful, flexible and responsive platform providing innovation as the principal source of sustainable competitive advantage. This advantage includes:

#### **Product Development**

The evolution in retirement planning has made risk management play an increasingly critical role in overall wealth management. The Annexus Group is perfectly positioned to capitalize on this evolution with innovative products developed by their world-class product development team.

#### **Product Distribution**

The Annexus Group better aligns the interests of insurance carriers and their independent distribution channels to serve the end-user, the policyholder. The innovative distribution model has resulted in reducing regulatory exposure, increasing overall productivity and profitability.

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### **Product Administration**

The Annexus Group offers a redesigned administrative platform using a 360 degree perspective that incorporates the best practices from throughout the industry. This has resulted in a better experience for the policyholder and producer, which in turn has resulted in increased productivity and profitability for the carrier.

Ultimately, the Annexus Group enhances an insurance company's ability to respond quickly and appropriately to the evolving needs and demands of consumers. From product development to distribution—the Annexus Group is able to deliver a turnkey system that can be seamlessly integrated into a carrier's infrastructure providing a greater opportunity to capture a leadership position in the industry and grow market share.

### **Product Development Model**



The Annexus Group provides turnkey access to a world-class product development team focused on delivering innovative solutions to the annuity market. From the outset, the Annexus product development model has differentiated itself through the use of patent-pending technology used to create the next-generation pricing and hedging methodologies used in all of our products.

For the Annexus Group, the product development process brings all of a new product's core components together for extensive testing and analysis. Before discussions with a carrier can begin, we identify appropriate hedging methods, legal and regulatory considerations that could affect the product, perform extensive pricing analysis and develop market positioning plans. Ultimately, the Annexus product development team delivers a complete, turn-key product package to the carrier that includes detailed stochastic pricing and administrative specifications along with draft policy forms and marketing materials.



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## Maintaining a Competitive Advantage

Harnessing innovation to create consumer-friendly products has allowed the Annexus Group to build a platform to meet the ever growing wealth-management needs of American's and fuels the ultimate growth and acceptance of these products in the market. For our product development team then, innovation is not a short-term tactic—it's a mission.

## Product Distribution Model



The success the Annexus Group has enjoyed in the independent distribution channel is a testament to their market-tested value-proposition. By design, the Annexus model creates stronger interdependencies between the carrier and their distribution channel and allows for the introduction of higher levels of accountability.

Rather than simply making the IMO responsible for meeting specific production benchmarks, the Annexus Group also holds each IMO accountable for the quality of the agents they recruit, the level of training they provide, how they manage their agents and ultimately for the quality of the business their agents write. These higher standards are crucial for serving the policyholder and for the long-term success of everyone involved.

The Annexus model has created new opportunities for the carrier, IMO and agent alike to grow their business and become more profitable. Exclusive access to a proprietary product portfolio has allowed member IMOs to differentiate themselves in an increasingly crowded marketplace. In addition, each IMO has had a substantial opportunity to offer greater value to their existing agents—and in turn, increase agent loyalty—by offering new products and using Annexus resources to provide in-depth product education and sales training.

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## Product Administration Model



By design, the Annexus products and distribution model requires less administrative overhead making Annexus business more profitable for the carrier. For example, the Annexus model requires that each member IMO “scrub” each application it receives for errors prior to submitting it to the carrier. In 2008, applications submitted reached an error-free rate of 96 percent. This attention to detail by Annexus members effectively reduces the administrative overhead, improves services standards and increases profitability.

## Profitable Results



The comprehensive product development, marketing and distribution criteria set forth by the Annexus Group established a platform to better align the interests of insurance carriers and their independent distribution channels. The result has led to a collaborative, efficient and effective relationship for all parties involved.

### For the Carrier

Using innovation as a core value proposition has positioned the Annexus products competitively without compromising the carrier's current profitability. From the marketing materials to the writing producer, the Annexus model offers built-in processes that serve to improve the long-term profitability of the carrier:

- Intuitive elements are a core component of the product design process. This facilitates consumer understanding and reduces potential market conduct, suitability and compliance issues enhancing the long-term profitability.
- All applications, forms, disclosures and contracts have been rewritten to improve readability and incorporate the best-practices seen from across the industry (as a result, Aviva has subsequently incorporated all of these throughout its U.S. operation).
- State requirements were taken into consideration when developing the marketing materials to reduce states specific variations thereby reducing unnecessary overhead and complexity.

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### **For the IMO**

The Annexus model provides valuable assistance to each member IMO to increase profitability through training programs for their internal marketers and administrative staff:

- Every marketing representative must go through carrier approved product training on all Annexus products prior to talking to an agent.
- To ensure that each new marketer hired by our member IMOs gets the best product information possible, the Annexus Group conducts face-to-face training seminars to provide in-depth product and industry knowledge. In addition, this helps to offset some of the costs (in time, money and human resources) incurred by our member IMOs when training new marketing representatives.
- After the initial training, all marketing representatives continue to benefit from regular and ongoing training and marketing support via weekly conference calls, webinars and regular visits from Annexus Group staff.
- To maximize our training efforts, each marketing representative from the member IMOs are grouped and trained together based on their shared level of industry experience. This allows for customized training session according to the needs of the marketing representatives.
- *Annexus University* is a training “school” for the marketing representatives from all member IMOs. *Annexus University* is held annually with the goal of sharpening the marketing representative's understanding of the market and optimize their ability serve the needs of their agents.
- The administrative staff of member IMOs are required to attend face-to-face training. In addition, they are required to participate in regularly scheduled conference calls and webinars that focus on creating best practices for the administration of Annexus products.

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### For the Producer

The Annexus Group has taken specific steps to ensure that those producers wishing to sell Annexus products receive the training they will need to fully explain the benefits of Annexus products to their clients:

- Every producer is required to go through certified training before they can represent the Annexus products. This mandatory training serves to reduce the potential for the product being misrepresented.
- The producers are invited to attend all expense paid product training in Scottsdale, Arizona.
- Business development programs are offered providing the producer with in-depth education and product knowledge.
- To guarantee the delivery of the best support possible, each Annexus IMO member is responsible for providing 100 percent of the marketing and administrative support to their producers. Annexus IMOs do not hand their agents off to the carrier for support.

### Record-Setting Results



In March of 2006, the Annexus Group's first fixed annuity product offering, the **BalancePlus** Annuity™ was introduced. From the start, the new Annexus distribution model exceeded even the most optimistic expectations:

- With \$17 million in sales for its first month, the **BalancePlus** Annuity became the fastest-selling fixed annuity product in industry history.
- By the end of 2007, the first full calendar year of sales, the **BalancePlus** Annuity sales exceeded \$1 billion.
- The 2008 **BalancePlus** Annuity sales are forecasted at \$1.5 billion bringing the total sales through 2008 closing in on \$3 billion.

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The Annexus products have attracted top quality producers and the Annexus training and support have resulted in unprecedented productivity.

There is little doubt that the Annexus Group model has already begun to deliver on all of its promises. Record-breaking sales totals, steady growth, fewer complaints, profitable business and less oversight for the carrier are all byproducts of the overarching Annexus goal of better aligning the interests of the carrier and the independent distribution channel.

### **The Future**



When the founders of the Annexus Group first envisioned the model in mid-2004, the threat of increased state and federal oversight for the annuity industry already loomed large on the horizon. The SEC's recent proposal to regulate equity indexed annuities, (Rule 151A) means the annuity industry now faces an even more uncertain future. And while most in our industry are scrambling to avert what certainly could be disastrous consequences, the Annexus Group anticipated this threat and over the last two-years has taken steps through our product development and distribution strategies to capitalize on the opportunities that would be created by such regulations.

- Regardless of the outcome of 151A, the Annexus Group is forecasting significant growth in the annuity marketplace that will be fueled by new distribution, demographic and product development demands. The market is changing radically and the Annexus Group is well positioned to respond to its rapidly evolving needs:
  - We are increasing our independent distribution capacity by expanding our membership base. This, combined with the products in our development pipeline has increased the sales forecasts for our independent distribution channel to over \$2 billion in 2009.



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- Passage of Rule 151A will create a product vacuum in the market. Through forethought and planning, the Annexus Group is well positioned to fill that void with the introduction of new “insurance” products which will create a significant distribution opportunity for Annexus member IMOs.
  - As a result of the introduction of proposed Rule 151A, the Annexus Group has accelerated its expansion efforts to target the financial institutions marketplace.
    - From its inception in 2004, the Annexus Group identified the Registered Representative as offering the most significant distribution opportunity in the industry. As such, considerable resources have been allocated to customize a product development, distribution and administrative platform to serve this channel.
    - The risk management characteristics of the packaged products being developed today represent a new asset class which can enhance the risk adjusted return in a client’s portfolio and play a valuable role in overall wealth management. We believe that in the near future, this new asset class will gain broad market acceptance when delivered as packaged products and in the form of portfolio wraps. These new products will compete directly with variable annuities, capturing important market share in the U.S. over the next two decades.
    - The Annexus Group had the foresight to develop a series of registered products which intentionally violate Rule 151A, the first of which is scheduled for release in June, 2009. If positioned properly, we believe our new products can provide spearhead the acceptance and ultimate growth of packaged products in the marketplace.

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While our efforts have thus far focused on delivering innovative solutions to the annuity market, we know that the technology used to create the next-generation pricing and hedging methodologies for fixed annuities is transferable to alternative products. Ultimately, the Annexus Group will use the knowledge, experience and technological advancements garnered through our success in the fixed annuity marketplace to establish and build a highly competitive Annexus life portfolio.

Given the magnitude of these opportunities, it is more important than ever for the Annexus Group to seek out, identify and establish a key strategic relationship with a select carrier. For those companies that already have or can quickly develop the aptitude and infrastructure necessary, the Annexus Group can deliver a ready-made, turnkey system that can meet the needs and demands of the independent agent and financial institutions market which are poised for significant growth.

Today, with the Aviva relationship firmly established for fixed products sold by independent agents, Annexus prepares to expand the breath of its portfolio and the reach of its distribution. Registered annuity and fixed-life products are being developed for sale through independent agents and financial institutions and Annexus is ready to discuss expanding its relationship with Aviva into these new opportunities.