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Midland National Defends Annuity Liquidity Options

ABSTRACT

Midland National Life Insurance Company, West Des Moines, Iowa, says its customers can get cash out of its annuities relatively quickly.

A team of lawyers in California recently drew attention to Midland National annuities by filing a suit in a state court in Los Angeles that alleges the company sold the late John Migliacci, who was 73, an annuity that would give him only minimal access to his principal for 13 years and would not mature for many more years.

A press release announcing the suit generated a flurry of press coverage in a variety of local and national publications, including National Underwriter, before Midland National executives or the company's lawyers had had time to look at the complaint, according to Robert Phillips Jr., an Oakland, Calif., lawyer who serves as Midland National's outside counsel.

Midland National does not want to talk out of court about the specific annuity that Migliacci owned, but the company now wants to make it clear that, in general, the type of "Bonus 10" annuity that Migliacci owned offers good liquidity features, Phillips says.

The maturity date of the kind of annuity that Migliacci owned is the last date that a holder can annuitize, not the first date, and the kind of annuity Migliacci owned lets the holder choose between annuitizing as early as 12 months after the date of purchase or withdrawing up to 10% of the cash in the annuity per year penalty-free, Phillips says.

A holder of that type of annuity who believes he may have a short lifespan can choose a "life settlement option" that will pay out a guaranteed amount of income for a predetermined period, even if the holder dies, and then continue to generate payments for the rest of the holder's life if the holder lives past the end of the guaranteed-payment period, Phillips says.

"The maturity date has nothing to do with how quickly someone can exercise liquidity options," Phillips says.

One of the lawyers who helped file the Migliacci case, William Shernoff of Shernoff Bidart & Darras L.L.P., Claremont, Calif., says he continues to read the annuity contract differently.

Midland National lawyers are planning to meet with Migliacci's lawyers to discuss the terms of the annuity contract, Phillips says.