Milliman

US Retirement Product, Fixed Index Annuity

An overview of the product and customer value proposition

OCT 4, 2022

What is a Fixed Index Annuity?

FIA is a flexible savings/retirement product chassis that can be tailored to different distribution channels and customer needs. It delivers stronger market upside than traditional and par products, but with full downside principal protection.

Fixed

A flexible product chassis

A fixed length surrender charge schedule (normally 3 – 12 years)

The duration (contract boundary) of the policy is lifetime. Can be modified to fit different design/chassis

There is an underlying minimum guaranteed. Largely ROP.

There is a fixed crediting component, the rates are declared annually, and usually significantly higher than the guaranteed rate.

Index

More customizable design

Various index providers (S&P, NASDAQ, BlackRock, custom made…)

Innovative index design (volatility controlled, excess returns, ESG)

Different Crediting methods to chose how the index credit is calculated

Minimize risk to insurance carrier since this is not a variable annuity, with no underlying investment in equities.

Annuity

(Endowment, Universal Life)

Optional benefits and riders

Annuitization benefit (regulatory classification)

Guarantee Lifetime Income Benefit (w/ surrender and death benefits)

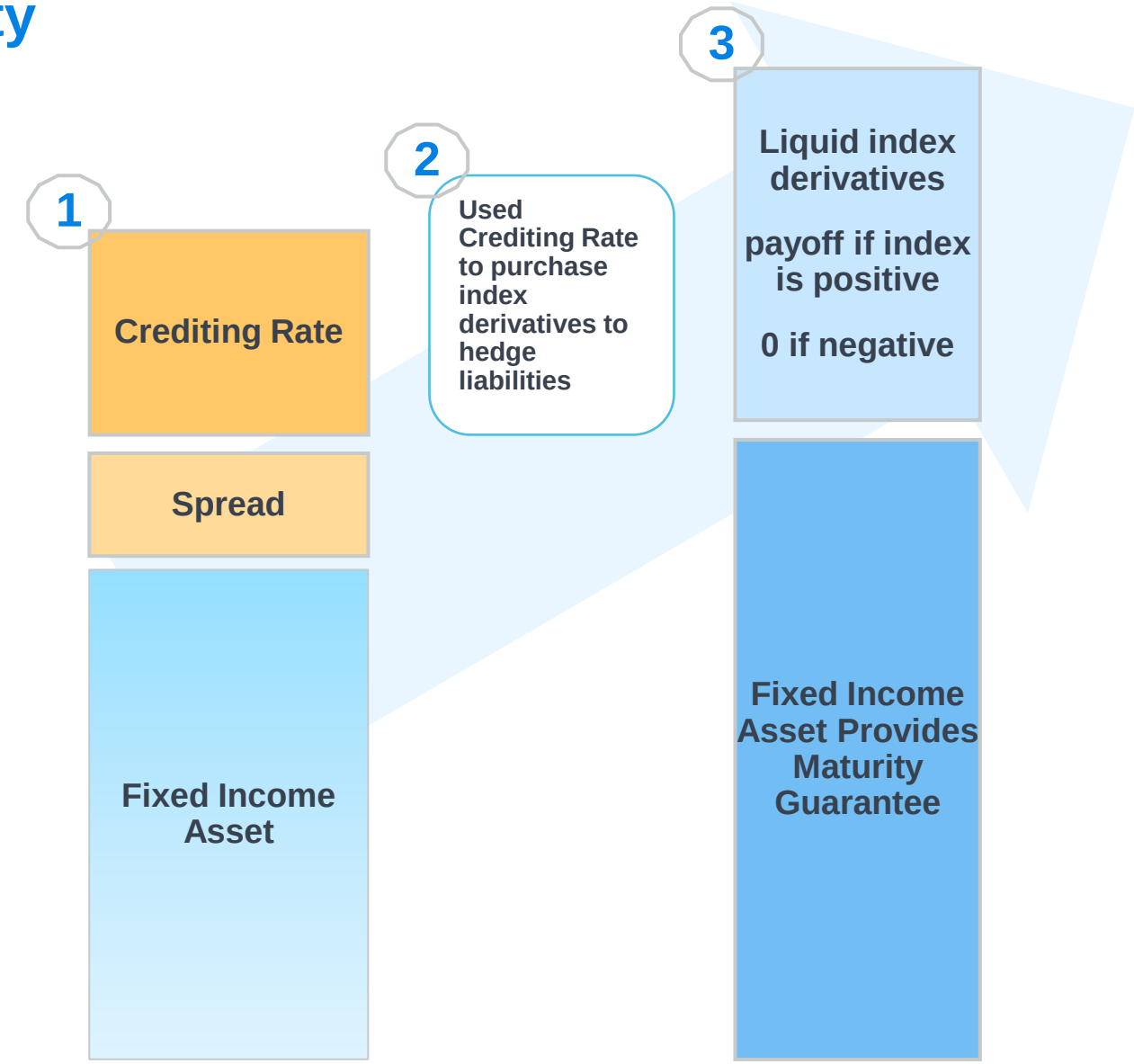
Guarantee Maturity Benefit

Increasing Income for Life

The Chassis of the Fixed Index Annuity

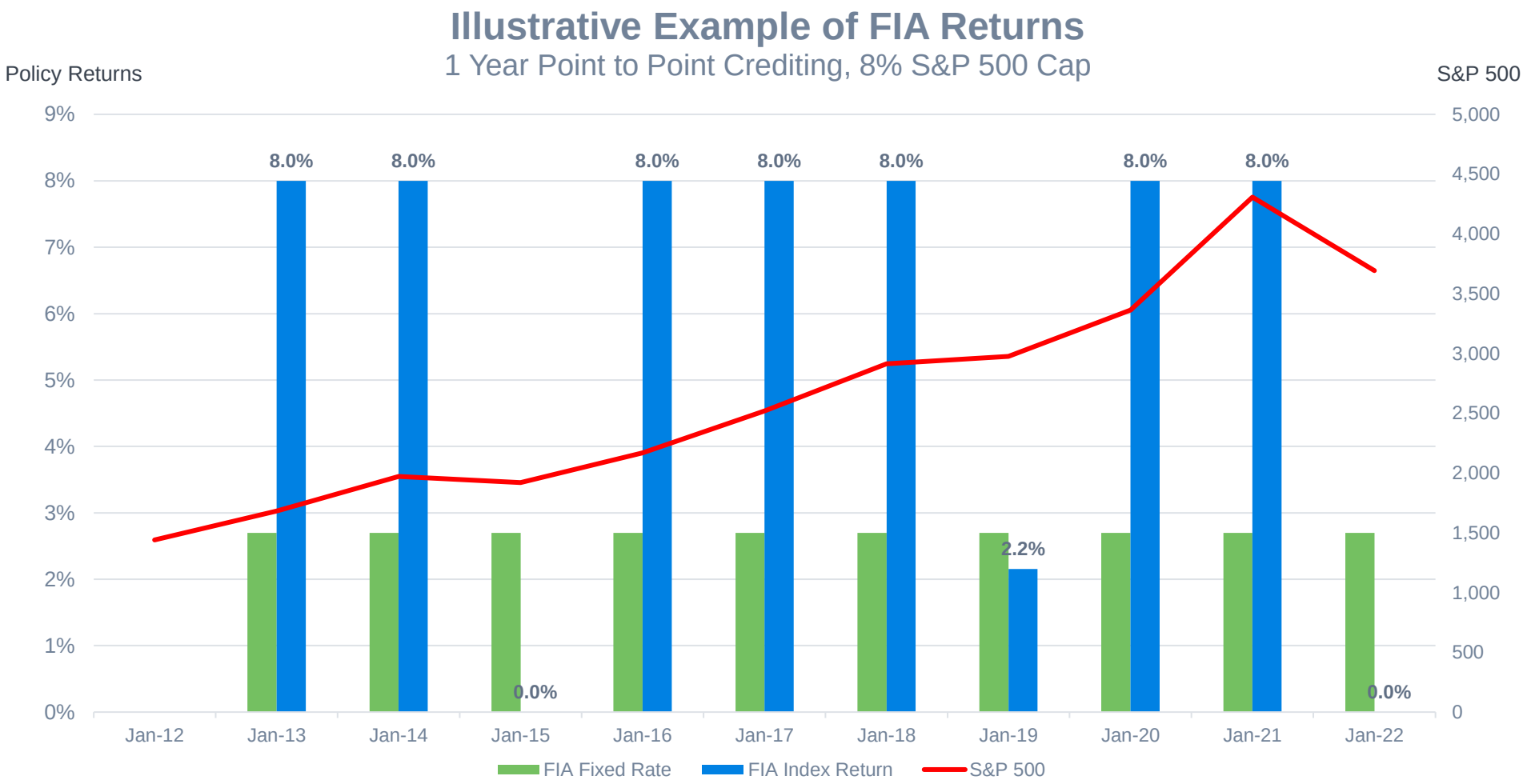
"Fixed" component of the product

Asset	
Fixed Income Yield	4.5%
Crediting Rate	2.7%
Spread	1.8%
Duration	10
Total Investment Income	**18.0%**
Liability	
Premium	100,000
Marketing Allowance + Overrides	2.5%
Commission + Supp Comp	7.5%
Expenses	3.0%
Total Expenses Inc Acquisition	**13.0%**
PV Profit	**5.0%**



FIA generate returns above and beyond tradition products

"Index", the index provides returns up to a cap, but never negative



S&P Avg Returns

10.5%

10 Year Shape Ratio: 0.76

FIA Returns

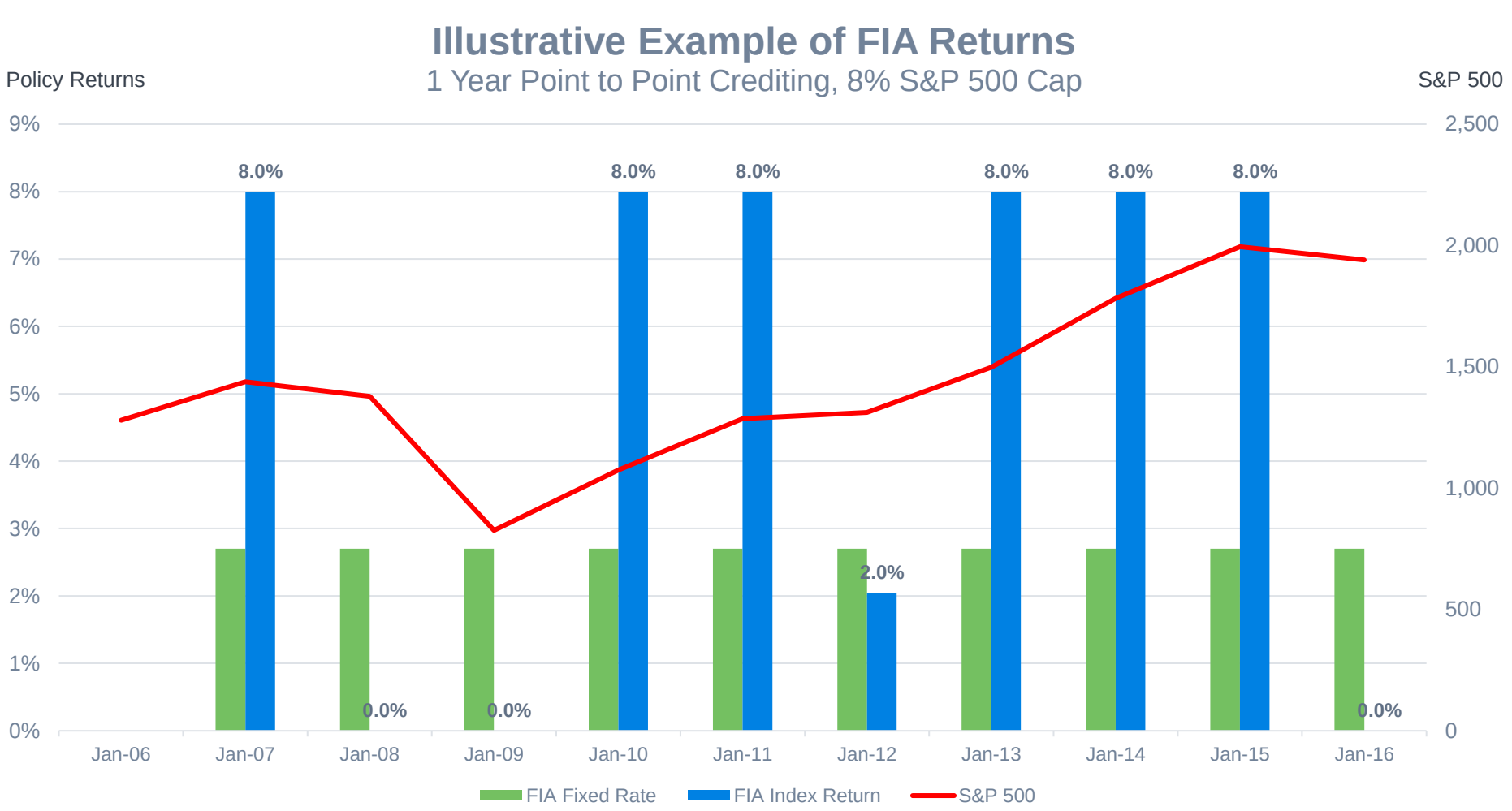
5.8%

10-year Sharpe Ratio:

>1

FIA also provides better consumer value in bear markets than ILP or Par

"Index" reset in bear market means capitalizing on the recovery without the equity downside



S&P Avg Returns

6.2%

10 Year Shape Ratio: 0.73

FIA Returns

5.0%

10-year Sharpe Ratio: 0.89

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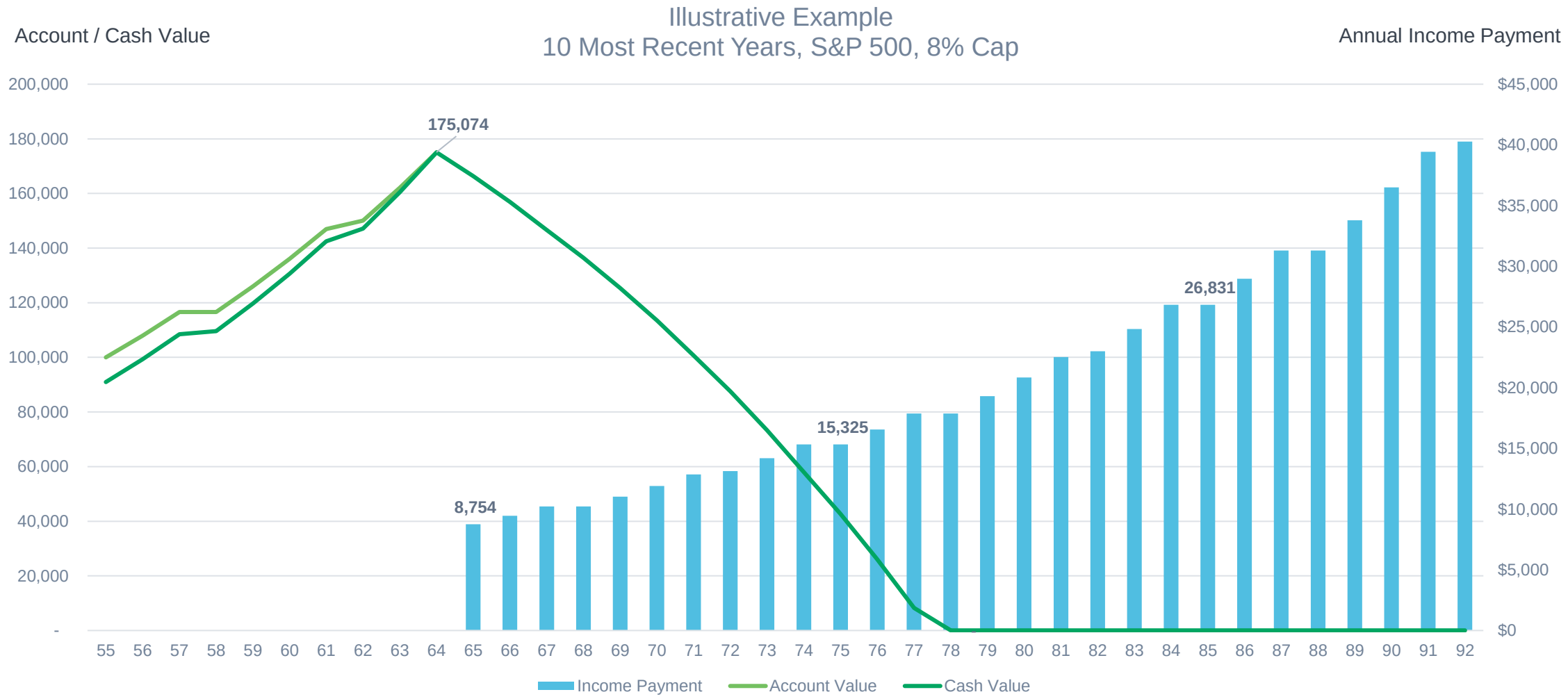
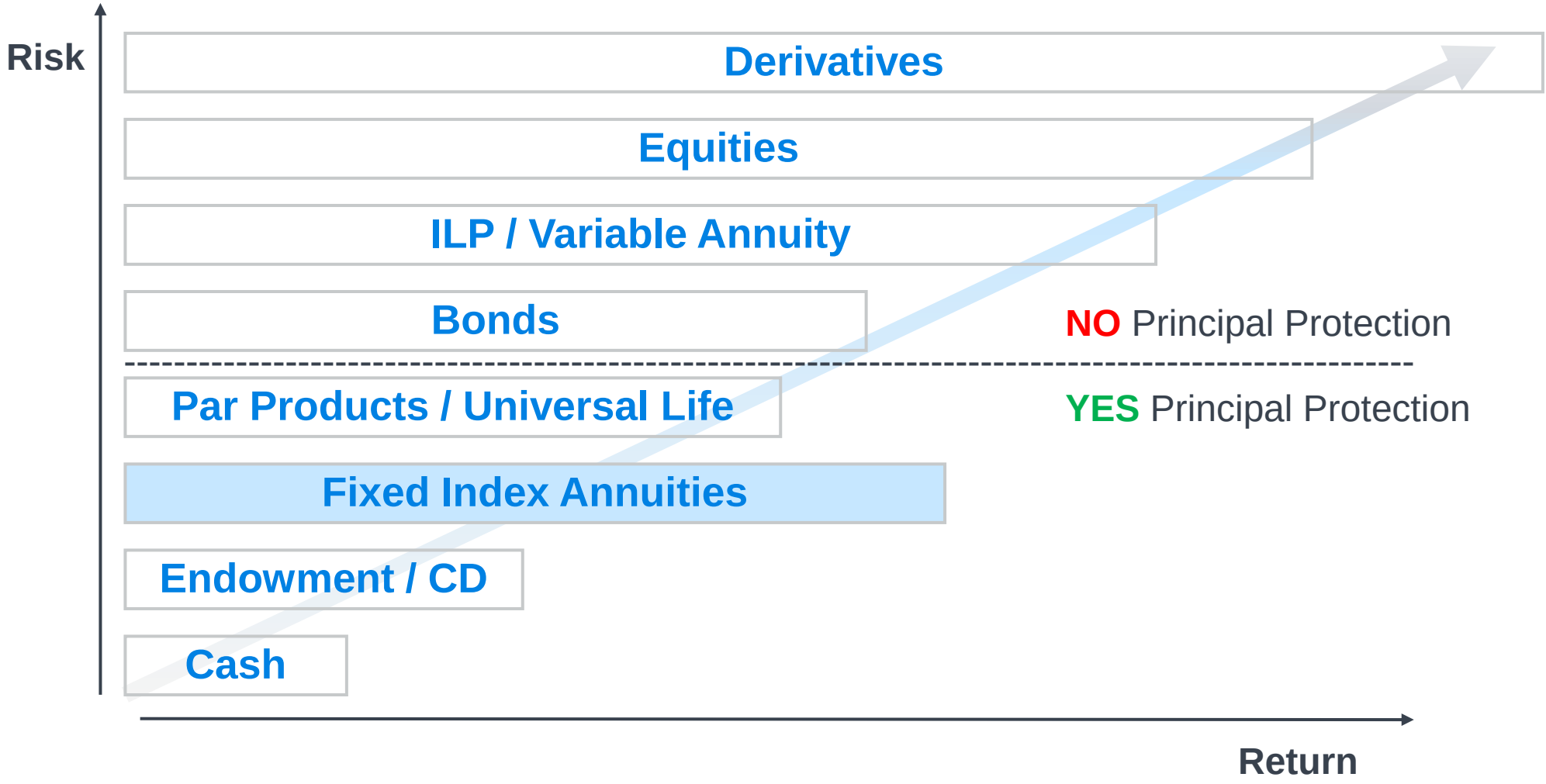
Sustainable retirement, lifetime increasing income that you can't outlive

"Annuity", it's so much more than an annuity!



Fixed Index Annuities has a risk profile that can help optimize the retirement portfolio and add new life to your product portfolio



BlackRock ESG US 5% Index ER

Agenda

1. BlackRock Overview
2. Sustainability Overview
3. Case Studies
4. BlackRock's Index Solution

BlackRock Overview

Who & how we serve

BlackRock's purpose is to help more and more people experience financial well-being.

BlackRock's Purpose

We help more and more people experience financial well-being

~100,000
U.S. financial advisors choose BlackRock[1]

15mn
Investors in the U.S. hold iShares ETFs[2]

30,000+
U.S. advisors use Aladdin® Wealth to build better portfolios for their clients[3]

Over 95%
of the *Barron's Top1,200* advisors entrust their clients' money with us[4]

A global perspective:

- **53% of our global client assets are related to retirement[4]**

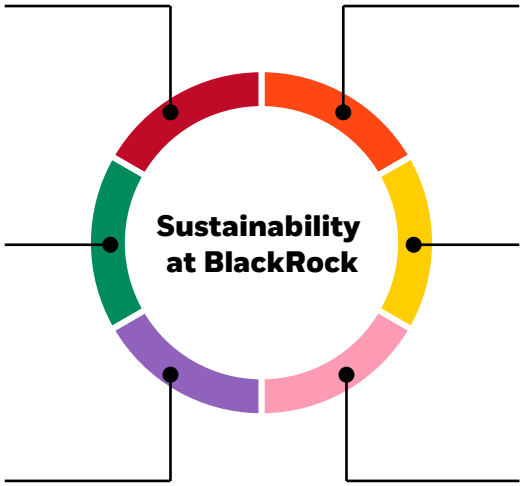
1 Source: BlackRock, as of 31 December 2020. From the beginning of 2019 through YE 2020, our USWA Sales teams have had a quality engagement with ~111,776 actively practicing financial advisors. **2** Source: Broadridge, as of 31 May 2020. Most recent data available **3** Source: Aladdin Wealth Tech, as of 31 December 2020. **4** Source: Barron's and BlackRock. As of September 2020. **4** As of 9/30/20

Sustainable investing at BlackRock

Investment Management
Integration of ESG insights and data into our active and advisory investment processes and portfolio construction.

Data & Technology
Aladdin® allows investors and clients to understand and manage portfolio risk.

Company Engagement
Fundamental investors and Investment Stewardship team engage with companies we invest in on behalf of our clients on sustainability-related issues that impact long-term financial performance.



Sustainable Investment Solutions
Extensive platform encompassing index and active funds across all asset classes, designed to help clients meet their sustainability and financial objectives.

ESG Research
Dedicated sustainable research team focuses on the link between ESG and financial materiality, producing insights that drive investment processes.

Transparency & Reporting
We want clients and investors to clearly see the sustainability risks of their investments. We provide this information for all of our funds, where data is available, whether or not it is a sustainable strategy.

BlackRock by the numbers

$509 billion
Assets under management in dedicated sustainable strategies*

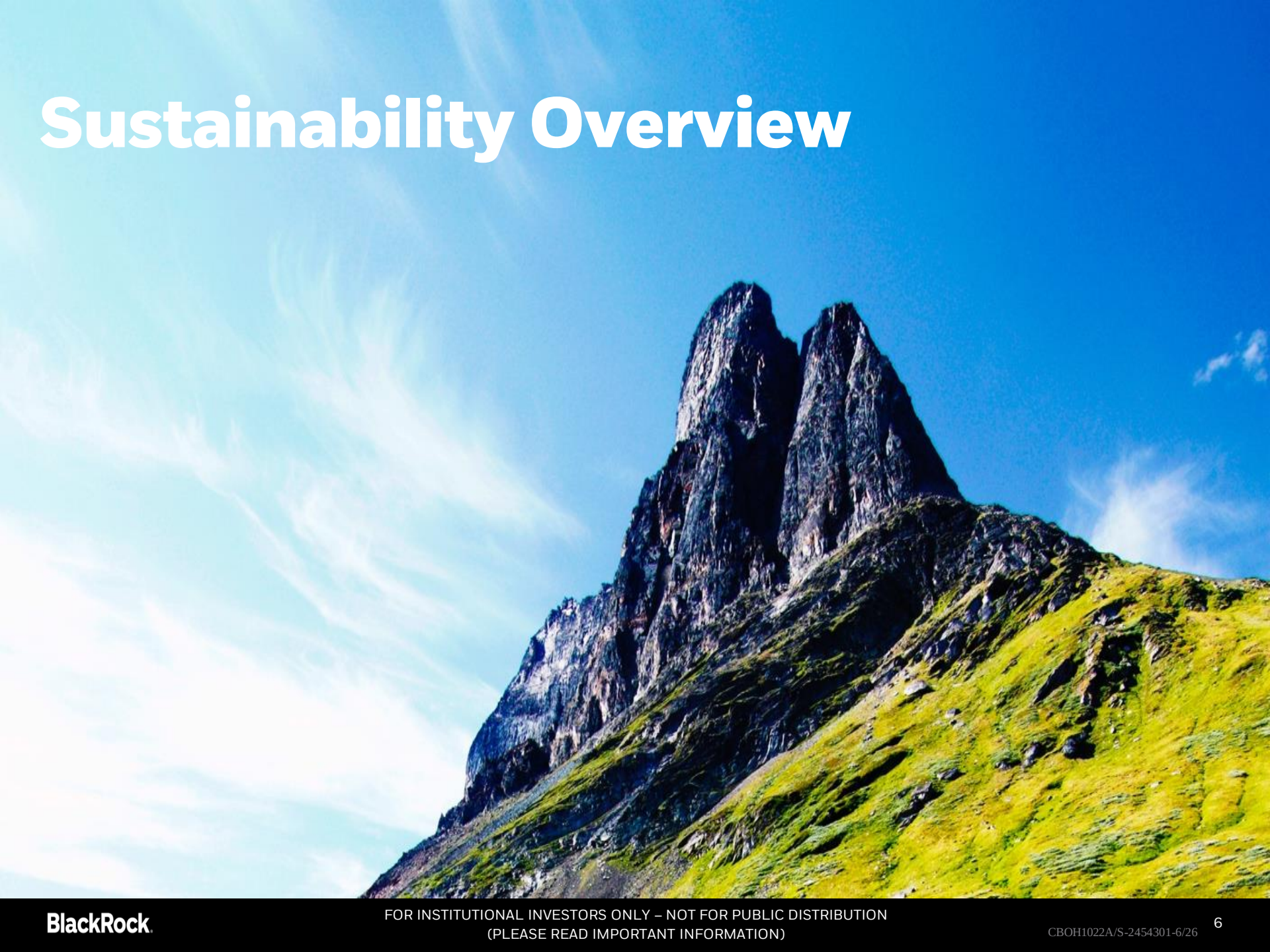
$3.37 trillion
Assets incorporate ESG insights

300+
Sustainable ETF, Index Mutual Funds & Active funds

3,500+
Annual stewardship engagements

Source: BlackRock Sustainable Investing, global statistics as of Dec. 31, 2021. All values in $USD. * Comprised of ESG Broad, ESG Thematic, Impact strategies and selected priority screened products.

Sustainability Overview



Breaking Down Each Dimension of ESG

E

Climate Change

Pollution & Waste

Environmental Opportunities

S

Human Capital

Product Liability

Social Opportunities

G

Corporate Governance

Ethics

Corruption & Instability

Less exposure to environmental risk

Attraction/retention of skilled workers and customers

Well-run company with high-level risk controls

Implications of sustainability on investment returns

We believe sustainability risk and climate risk are investment risks, and that integrating sustainability can help investors build more resilient portfolios and achieve better long-term, risk-adjusted returns.

We believe sustainability affects investment returns

"Tectonic shift" in investor preferences that drives investment flows into sustainable assets and reduces sustainable firms' cost of capital

Current asset prices and portfolio risks do not fully reflect sustainability-related factors.

Use of innovative data sources and fundamental research to help identify sustainable business practices and business models that could lead to excess returns compared with the broader market

Source: BlackRock Sustainable Investing, "Making sustainability our standard: BlackRock's approach to integrating sustainability-related factors into portfolio management", December 2020

Sustainable demand may be bigger than you think

Cerulli data shows most investors want to learn more about sustainable investing – so introduce it to clients and prospects before someone else does.

A mismatch between what clients want and what advisors think they want

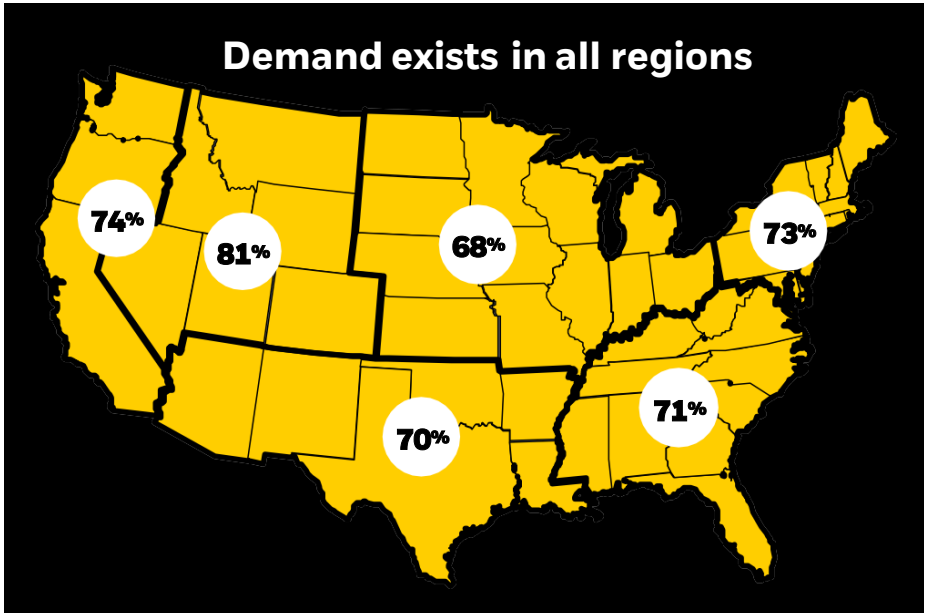
(Surveyed by Cerulli[1])

Only 11%

of advisors say clients are interested in sustainable investing[1]

Yet 72%

of Americans are interested in sustainable investing[1]



1 BlackRock and Cerulli as of 2021.200 Financial advisors were surveyed, diversified by geography with AUM over $25million. 1,000 Americans investors interviewed were diversified by geography with avg investable assets of $930K with an average income of $140K. Map shows percentage of Americans interested in sustainable investing.

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Case studies

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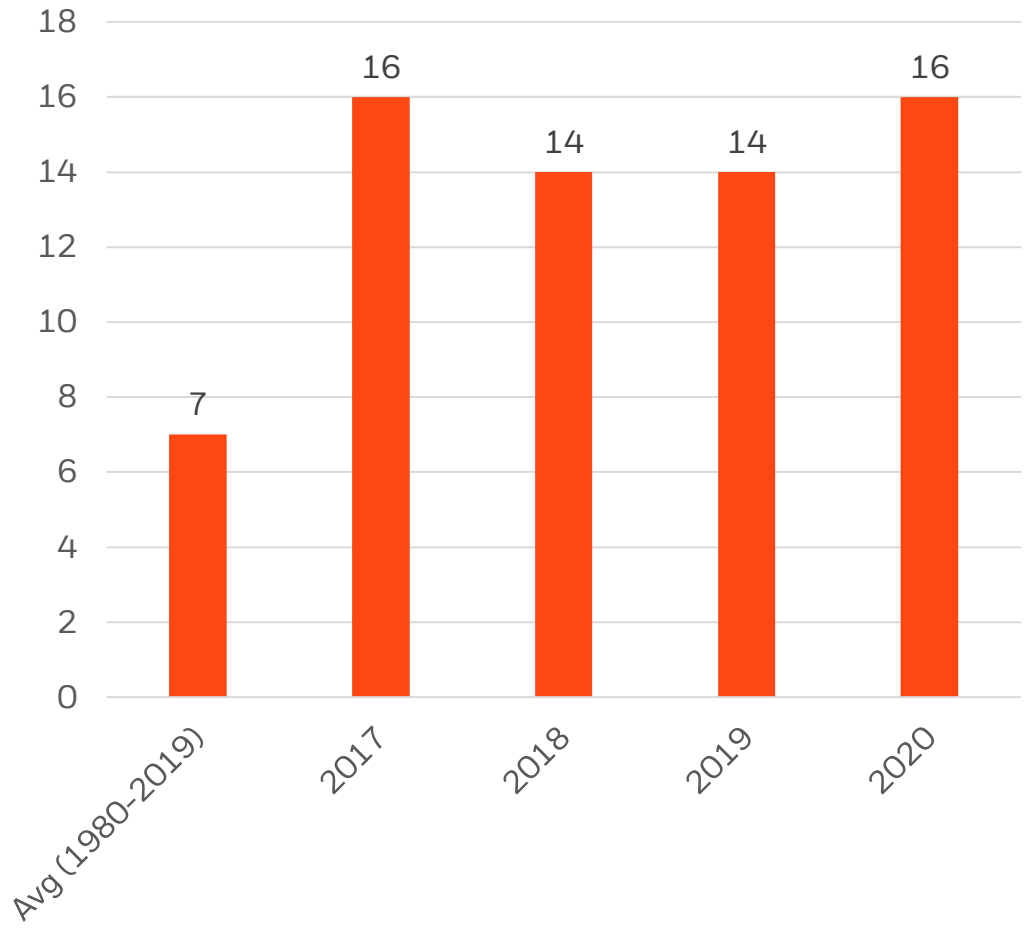
Case study 1
Environmental
Vale's direct costs were over USD
$5 billion
As of 12/31/2020, Vale's weight in ESGU was 0.0%.

Over the last 5 years, total cost of **'billion-dollar' weather & climate disasters** in the U.S. exceeded

$530 B

[1]

Number of billion-dollar disasters



1 NOAA. Data covering time period from 2015 to 2019. https://www.ncdc.noaa.gov/billions/time-series

Case study 2

Social

Equifax announced the

Largest data breach in U.S. history

As of 12/31/2020, Equifax's weight in ESGU was 0.0%.

Analysis across S, or Social, showed Equifax was weak in privacy and data security.

Conventional financial analysis[1]

Financial analysis was generally **positive** on EFX stock prior to the data breach

ESG analysis[2]

MSCI **downgraded** EFX to CCC, the lowest ESG rating possible due to lack of data control and prior data breaches

CCC

1 Source: Source: Bloomberg analyst consensus, as of August 2016 2 Source: MSCI ESG Research , as of August 2016.This is not meant as a guarantee of any future result or experience. This information should not be relied upon as research, investment advice or a recommendation regarding the iShares Funds or any security in particular. For actual iShares ETF holdings, please visit www.ishares.com. Specific companies or issuers are mentioned for educational purposes only and should not be deemed as a recommendation to buy or sell any securities. Any companies mentioned do not necessarily represent current or future holdings of any BlackRock products.

Social issues can affect a company's bottom line

Number of American workers who leave their jobs due to unfairness and discrimination every year	2 million
Estimated cost of replacing them	$64 billion

Source: Center for American Progress

Case study 3

Governance

The parent company of JBS paid one of the biggest fines in global corporate history

$3.2 billion

As of 12/31/2020, JBS's weight in ESGU was 0.0%.

Governance assesses the quality of management at a company

Key issues:

Board structure | **Diversity** | **Accounting practices**

Companies in the top quartile for gender diversity on executive teams were 25 percent more likely to have above-average profitability compared to companies in the bottom quartile.

25%

(Source: McKinsey)

BlackRock ESG US 5% Index ER

BlackRock ESG US 5% Index ER

*FIA industry first ESG index that seeks to deliver **US Equity exposure with an ESG tilt** , subject to a 5% target volatility*

Obtain Exposure to Higher Rated ESG Companies

Security selection: Up-weight companies that are/have:

- Lowering their carbon emissions
- Put an emphasis on workforce diversity
- Address controversial weapons

Differentiated Index Insights

- The methodology starts with **ESGU** and includes the following screens:
  - Business Involvement Screen
  - Controversy Screen (Exclude securities with an ESG controversy score of very severe)
- An optimized portfolio of US Treasuries are introduced to achieve the 5% volatility target.

Macro Signal to Manage Interest Rate Risk

- When rates increase, bond duration risk decreases.
- When rates are stable or decrease, keep more duration exposure.

Index Holdings

Name	ETF Ticker
iShares ESG MSCI USA ETF	IVV
iShares 1-3 Year Treasury Bond ETF	SHY
iShares 7-10 Year Treasury Bond ETF	IEF
iShares 20+ Year Treasury Bond ETF	TLT

Equity

Fixed Income

ESG US 5% Index ER Historical Performance*

	Time Periods			
	1Y	3Y	5Y	Since Live
Annualized Return	-5.79%	3.70%	4.29%	-3.79%
Volatility	5.40%	5.51%	5.45%	
Sharpe Ratio	-1.07	0.67	0.79	

*Gray periods reflect hypothetical performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2006									1.12%	1.71%	1.07%	-0.41%	3.53%
2007	0.02%	-0.95%	-0.09%	1.39%	0.33%	-2.19%	-0.23%	1.10%	1.07%	0.58%	0.52%	-0.78%	0.73%
2008	-0.63%	-0.16%	0.29%	-0.10%	-0.77%	-2.20%	0.09%	1.33%	-1.65%	-2.98%	2.57%	2.52%	-1.84%
2009	-3.58%	-1.76%	1.82%	0.04%	0.25%	-0.24%	1.85%	1.59%	0.96%	-0.79%	2.36%	-1.74%	0.58%
2010	-0.79%	0.89%	1.28%	1.94%	-0.83%	0.45%	2.03%	1.11%	2.70%	0.45%	-0.15%	1.58%	11.12%
2011	0.52%	1.77%	-0.25%	1.45%	0.80%	-1.32%	0.83%	0.05%	0.95%	1.70%	0.32%	1.64%	8.74%
2012	1.93%	0.87%	0.23%	0.99%	-0.24%	1.39%	1.80%	0.75%	0.39%	-1.33%	0.73%	-0.29%	7.42%
2013	1.52%	1.08%	1.89%	1.92%	-0.87%	-1.30%	1.55%	-2.01%	1.97%	1.81%	1.27%	0.78%	9.91%
2014	-1.55%	1.13%	0.41%	0.50%	2.35%	1.13%	-1.01%	2.62%	-1.36%	1.17%	2.13%	0.54%	8.24%
2015	1.92%	0.43%	-0.82%	-0.53%	-0.10%	-1.64%	1.88%	-3.95%	0.27%	1.90%	-0.39%	-0.89%	-2.06%
2016	0.15%	0.94%	2.32%	-0.12%	0.95%	1.42%	1.49%	-0.57%	-0.64%	-1.50%	-0.54%	1.38%	5.34%
2017	1.20%	3.32%	0.19%	0.77%	0.62%	0.45%	0.80%	0.38%	0.89%	1.90%	2.52%	1.20%	15.16%
2018	3.29%	-3.08%	-0.78%	-0.50%	0.95%	0.02%	1.21%	1.91%	-0.24%	-5.44%	0.23%	-0.20%	-2.87%
2019	1.84%	0.46%	2.77%	1.09%	-1.15%	3.61%	0.56%	1.60%	-0.54%	0.82%	1.45%	0.70%	13.93%
2020	2.26%	-1.71%	-0.76%	0.91%	0.68%	0.59%	3.19%	0.59%	-0.67%	-1.83%	3.38%	1.12%	7.86%
2021	-1.10%	0.09%	0.56%	1.60%	0.16%	0.90%	1.07%	1.22%	-2.99%	2.40%	-0.56%	0.35%	3.65%
2022	-3.29%	-1.04%	-1.16%	-2.99%	0.23%								-8.01%

Jan 2021 represents partial period returns. Past performance does not guarantee future results. Data for time periods prior to the index inception date is hypothetical and is provided for informational purposes only to indicate historical performance had the index been available over the relevant time period. Hypothetical data results are based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance and cannot account for risk factors that may have affected the actual performance. Index methodology is available at www.blackrock.com/esgus5index. * Cash used for computing the excess return is represented by the Effective Fed Funds Rate; however, this is subject to change at the discretion of the Index Administrator given the evolving industry-wide replacement of such rate. The BlackRock ESG U.S. 5% Index ER commenced ongoing calculation on January 25, 2021. BlackRock Index Services, LLC ("Index Services"), a subsidiary of BlackRock, Inc. designs, sponsors and publishes the Blackrock Indices for use in portfolio benchmarking, and portfolio management. The BlackRock Indices, allocations and data are subject to change.

Important Notes – Index Back-test

All data is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed).

Return calculation is described in the proposed Index Methodology document

In instances where an ETF in the Index had not incepted before the beginning of the backtest, the ETF's reference index was used as a proxy, and adjusted lower to simulate the impact of fees. This can have a modest impact on returns and tracking error as returns based on the price performance of an ETF's reference benchmark do not reflect potential premiums or discounts that may exist on the price of an ETF.

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