

Principal Financial Group[®]

Deferred Income Annuities

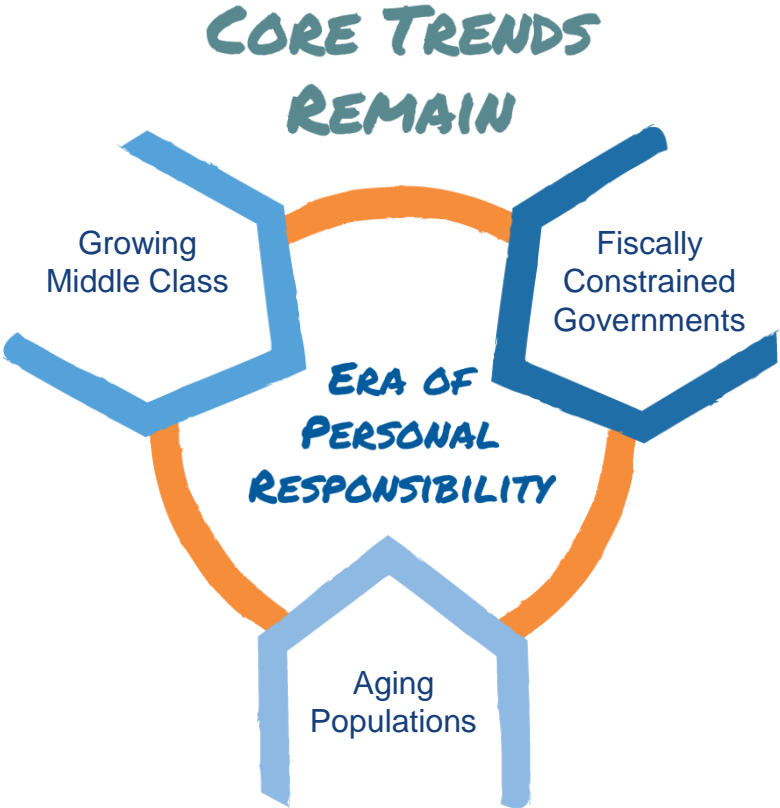
Michael Garvin “Garv”

Chief Financial Officer – Latin America Region



WE'LL GIVE YOU AN EDGESM

Key Trends



There is a growing need
for retirement income
solutions

Generic Latin American Design

Many countries have adopted the “Chilean AFP” model

Accumulation Phase

- State mandated (and voluntary) savings plan administered by private companies
- Invest in capital markets, generating real returns (subject to limitations/diversification)

Aim to create sufficient funds with which to retire

Pay-out Phase

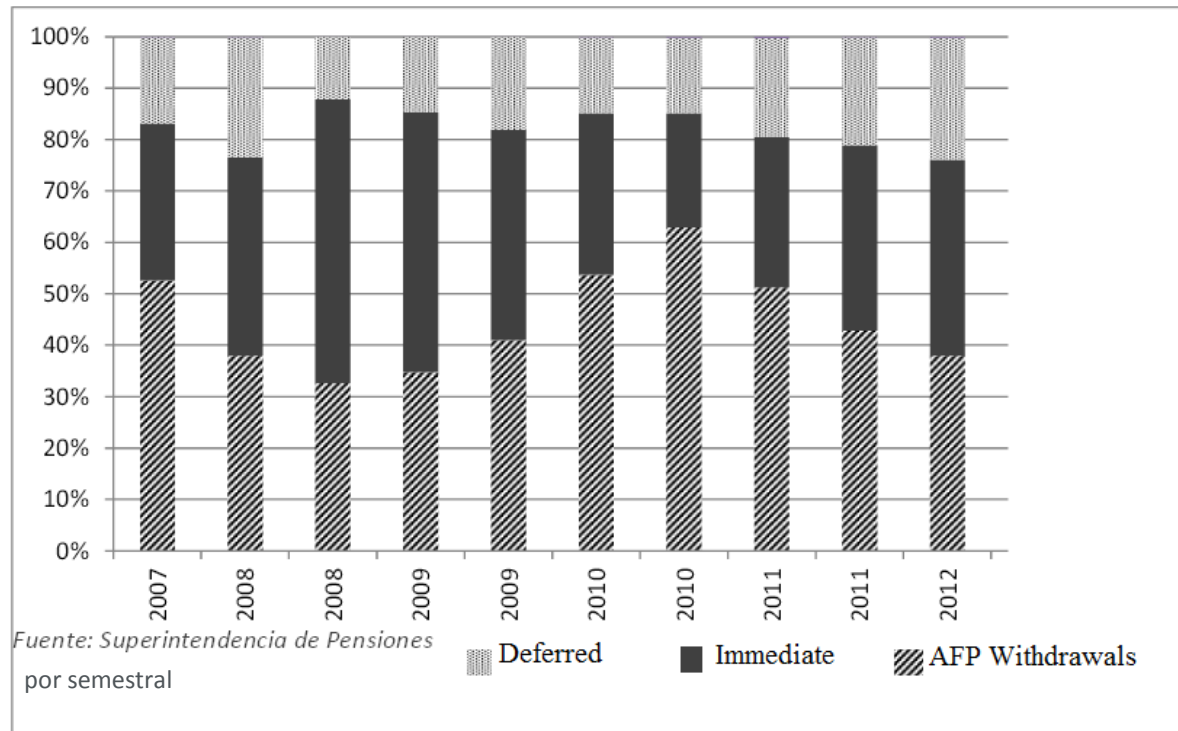
- Programmed withdrawal
- Annuity

Launched in Chile in 1981, then adopted by Peru, Colombia, Argentina, Uruguay, Bolivia, Mexico, El Salvador

Is Annuitization a Popular Option in Chile?

Only 30% of pensioners are eligible to purchase an income annuity

Of those that can select an income annuity, roughly 50% do
(30% immediate and 20% deferred)



Use of Deferred Annuities

Very short deferral periods, few companies offer longer deferral periods

TABLA N° 15

Solicitudes vs ofertas y n° de compañías que ofertan
número de años diferidos
Renta temporal con Renta vitalicia diferida
(julio 2012- junio 2013)

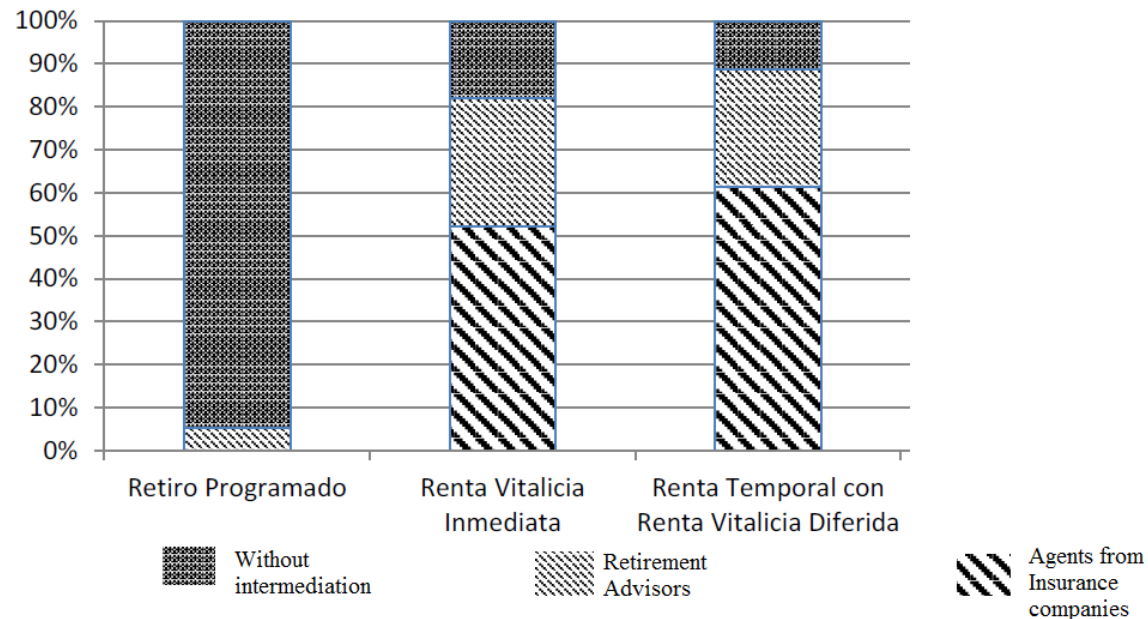
Años Diferidos	Solicitudes	Ofertas	% Ofertas	Compañías
1	48.994	45.023	91,9%	12
2	35.728	32.178	90,1%	12
3	22.274	19.291	86,6%	10
4 o más	1.400	1.215	86,8%	6

Total solicitudes de oferta	51.658
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Fuente: Superintendencia de Pensiones

Most Annuity Purchasers Use an Advisor

Insurance isn't bought, it is sold



Fuente: Superintendencia de Pensiones

But what if annuitization was mandatory...

Industry Capacity

- Enough providers?
- ALM concerns
 - Scarcity of long duration assets
 - Reinvestment risks
- Long term solvency will be in focus
- How to deal with longevity risk
 - Reinsurance
 - Longevity bonds