How Smart Contracts Are The Solution To Fixed Annuities

	Existing Industry	Smart Contracts
Fees	- **Administrative fees** to cover record-keeping, account services, and basic management of the annuity. - **Commissions** are paid to insurance agents who sell the annuity contract, They're similar to any other sales commission, like the ones that some fee-based financial advisors can earn for selling a specific investment product. - **Annuity Riders** are extra add-on features that can be added to an annuity contract. **Death benefit riders** give you the ability to transfer your contract to a heir in the event of your death. Charges for these can be quite high. - **"Other fees"** are all of the hidden fees like premium taxes which insurances companies use to offset any state or federal tax they incur when selling the annuity. Other miscellaneous costs include redemption or transfer fees if you decide to sell the annuity to someone else and underwriting or distribution fees when you receive payouts from the annuity. - Minimum premiums are the minimum initial amount that you must pay to start an annuity agreement. They're usually at least \$2,500 and could be as high as \$100,000.	- **No administrative fees**. Autonomous code is the administration and the blockchain manages all the record keeping. - **0 commissions** because there are no insurance agents trying to sell the annuity. It's an open market where supply matches demand. - **0 cost riders/extra features** such as the ability to easily transfer am annuity agreement to a heir, or sell it on the open market. Simply share the wallet key that was used to purchase the annuity. - **0 hidden fees** because everything is visible in the code and it's tamper-proof meaning that no additional fees will come later down the line. - **0 minimum premium** because you can propose an annuity agreement for as little as \$1 to as much as \$100,000. It's determined by the market whether your agreement will be supported.
Mistrust	- **Insolvency risks** because in general, annuity funds are not guaranteed by the FDIC or any other federal agency. They're only as safe as the insurance company who sells them. While it's unlikely an insurance company will go broke, it is possible. - **Deceptive practices** because insurance companies are like car salesmen, they'll deceive clients and convince them to invest in policies where the agent is the main party benefiting. - **Churning and twisting practices** where insurance agents convince clients to exchange their annuity contract for another one with "lower fees," but in reality clients lose value because of additional premiums and high commissions.	- **0 insolvency risk** because providers of annuity agreements are required to overcollateralize the agreement and autonomous code will automatically liquidate them for the annuity payout if their collateral drops in value. - **0 deceptive practices** because there are no salesmen as it's an open market that's a positive-sum game rather than a zero-sum one. - **0 churning or twisting practices** because all parties are anonymous and clients will never interact directly with one another.
Complexity	- **Many varieties** to choose from — single premium immediate annuity, deferred payment annuity that's variable, fixed indexed annuity, immediate annuity, and more. - **New vocabulary** to learn — "mortality and expense fee," "joint life payout," "subaccount," "surrender fee," "participation rate," "exclusion ratio," "market-value adjustment" - **Lengthy legal contacts** with hidden fees and liability clauses that must be signed by clients but	- **1 variety to start** — fixed annuities— is all that the smart contract can support because of security requirements. All the varieties in the existing industry perhaps should not exist as they're too risk to begin with. - **1 universal language** is all that's required to understand smart contract annuities — code. - **0 legal contracts** are involved in the mechanics of the annuity agreement. Code on the blockchain is the foundational contract.
Inequality	- **Access to buy is limited** to those who insurance companies approve and who can pay the minimum initial premiums. This causes geographic inequality, racial inequality, and wealth inequality. - **Access to sell is limited** to gigantic insurance companies. This reduces competition and causes higher fees for clients.	- **Universal access to buy** is enabled because all parties are anonymous. Participants can live in different countries, speak different languages, or even not be human at all. They can propose annuity agreements with \$1-\$100,00, the market determines where their proposal is accepted - **Universal access to sell** is created because the peer-to-peer nature of the blockchain. Large companies do not gain scaling benefits because all transactions are conducted on a peer-to-peer basis and there's no administrative or overhead charges.