After 2010, nowhere to go but up for fixed annuities

By Editor Test *Mon, Apr 11, 2011*

"The current interest rate environment suggests that fixed annuity sales in banks will gradually increase in 2011," said Jeremy Alexander, president and CEO of Beacon Research.

The Fed's loose interest rate policy helps the government finance its bailouts and helps banks recover from the financial crisis, but it has next to pure pain for fixed income investors—and for marketers of fixed annuities.

Estimated fixed annuity sales by banks and other depository institutions were $3.17 billion in fourth quarter 2010, down 48% from fourth quarter 2009, according to the American Bankers Insurance Association.

Quarter-to-quarter sales declined 20%. Sales in calendar year 2010 fell 53% to an about $15.53 billion. Falling sales of fixed rate annuities without market-value adjustments (MVAs) drove overall results relative to all three periods, according to data from the Beacon Research *Fixed Annuity Premium Study*.

"The current interest rate environment suggests that fixed annuity sales in banks will gradually increase in 2011," said Jeremy Alexander, president and CEO of Beacon Research. "However, fixed annuities may not do as well as expected if banks raise certificate of deposit rates aggressively to attract deposits as the economy improves. Consumers' inflationary expectations may also limit sales."

The bank channel, where Western National Life was the sales leader, was an isolated bright spot. One-third of the bank channel carriers tracked by Beacon's study reported improved fourth quarter sales, and about 22% did better quarter-to-quarter.

Two fixed annuity issuers dropped out of the top ten from third to fourth quarter 2010, and were replaced by Midland National and Genworth. Fourth quarter 2010 bank channel results for the ten leading companies were as follows:

Fixed annuity issuer	**Bank sales (000)**
Western National Life	$1,055,552

New York Life	453,393
Great American Financial Resources Inc.	235,476
Lincoln Financial Group Distributors	219,337
W&S Financial Group Distributors	128,577
American National	121,206
Protective Life	97,213
Midland National	96,502
Pacific Life	90,853
Genworth	66,374

The New York Life Preferred Fixed Annuity moved up one place to become fourth quarter's bestselling fixed annuity in banks. Like eight of the top ten, it is a fixed rate non-MVA product. Lincoln Financial Group's Lincoln New Directions remained the only indexed annuity among the top ten sellers.

The New York Life Income Annuity continued as the bank channel's only top-selling income annuity,

moving up two notches to come in seventh. Once again, half of the quarter's bank bestsellers were fixed rate non-MVA products issued by Western National. Fourth quarter's leading bank-sold annuities were as follows:

Company	Product	Product type
New York Life	NYL Preferred Fixed Annuity	Fixed Rate Non-MVA
Lincoln Financial Group	Lincoln New Directions	Indexed
Western National Life	Flex 7	Fixed Rate Non-MVA
Western National Life	Flex 5	Fixed Rate Non-MVA
Great American Financial	AssurancePlus 7	Fixed Rate Non-MVA
Western National Life	Proprietary Bank Product A	Fixed Rate Non-MVA
New York Life	NYL Lifetime Income Annuity	Income
Western National Life	Proprietary Bank Product F	Fixed Rate Non-MVA
Western & Southern Life	MultiRate Annuity	Fixed Rate Non-MVA
Western National Life	Proprietary Bank Product B	Fixed Rate Non-MVA

The American Bankers Insurance Association (ABIA) is the separately chartered insurance affiliate of the American Bankers Association (ABA) and is the only Washington, D.C.-based full service association for bank insurance interests. Additional information on the ABIA can be found on the Internet at www.theabia.com.

Beacon Research is an independent research company and application service provider founded in 1997 and based in Evanston, IL. Beacon tracks fixed and variable annuity features, rates and sales. Financial institutions use its systems at www.annuitynexus.com for compliance review of 1035 exchanges, sales support, conservation and product research.