

Annuity Sales Decline in 1Q 2013: LIMRA

By Editor Test Thu, May 23, 2013

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| Variable annuity | 35.5bn | ↓4% |
| VA living benefit election rate | 84% | |
| Book value fixed annuity | 4.2bn | ↓26% |
| Market value adjusted (MVA) fixed annuity | 1.0bn | ↓23% |
| Fixed indexed annuity | 7.8bn | ↓4% |
| FIA living benefit election rate | 72% | |
| Fixed immediate annuity | 1.7bn | ↓6% |
| Deferred income annuities | 395mm | ↑147% |
| Source: LIMRA. *Except structured settlements. | | |

The annuity industry is used to insults. Now it has to get used to injuries. It's as if Ben Bernanke's less-than-zero monetary policy, so supportive of the equities market, were designed specifically to punish the annuity industry. With thousands of Boomers reaching age 65 each week, the industry finds itself hobbled exactly when it should have surged.

Sales in every annuity product category except deferred income annuities, a newcomer, shrank in the first quarter of 2013 compared to the year-ago quarter, according to LIMRA's first quarter 2013 U.S. Individual Annuities Sales survey, based on 94% of the market.

And it no longer seems to be true that VA sales go up when equities go up. VA sales grew only one percent in the first quarter, compared to 4Q 2012, while the Dow Jones Industrial Average reached record highs, breaking the 15,000 barrier.

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Total annuity sales fell six percent in the first quarter of 2013, to \$51.7 billion. Variable annuity sales shrank four percent in the first quarter to \$35.5 billion — their sixth consecutive quarter of YoY declines.

This was one percent higher than in the fourth quarter of 2012, however. VA guaranteed living benefit election rates were steady at 84% in the first quarter.

“VA sales continue to struggle despite sustained equity market gains,” said Joseph Montminy, assistant vice president and director of LIMRA annuity research. “In addition, all significant fixed annuity product types declined in the first quarter of 2013. In many ways, the current market is more challenging to many annuity manufacturers than the recent financial crisis.”

Total fixed annuity sales slipped to \$16.2 billion in the first quarter, down 11% compared with prior year. It was the eighth consecutive quarter of declines. After record high sales in 2011 and 2012, first quarter indexed annuity sales dropped four percent to \$7.8 billion, its lowest level in two years.

Election rates of guaranteed lifetime withdrawal benefit (GLWB) riders on indexed annuities remain strong. In the first quarter, 72% of consumers elected a GLWB rider, when available. LIMRA estimates that 88% of indexed annuities products in the market offer GLWB riders.

Sales of deferred income annuities (DIA) reached \$395 million in the first quarter of 2013, 147% higher than in the first quarter of 2012. Since the start of 2012, four companies have entered the DIA market. The growing interest in this market has existing players launching new or refined products, while other companies are exploring whether to enter the market. Fixed immediate annuities fell six percent in the first quarter, totaling \$1.7 billion.

Fixed-rate deferred annuity sales experienced another quarter of steep declines, down 25% in the first quarter to \$5.2 billion. That’s an 80% drop since 1Q 2009, when sales of fixed-rate deferred annuities were \$26 billion. Book value sales declined 26% in the first quarter to \$4.2 billion; market-value adjusted (MVA) sales were \$1.0 billion, down 23% compared with the first quarter of 2012.

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