
FIA and SPIAs shine in a let-down year for fixed annuities: Beacon Research

By Editor Test *Wed, Mar 9, 2011*

“Consumer demand for conservative investments with guarantees continues to be strong,” Beacon Research CEO Jeremy Alexander said. “We expect fixed annuity sales growth to resume when the rate environment becomes more favorable.”

Fixed indexed and income annuities broke sales records in 2010, according to the Beacon Research *Fixed Annuity Premium Study*. Annual indexed annuity results climbed 6% to an estimated \$31.4 billion, accounting for a record 48% share of fixed annuity sales. Income annuity sales grew 2% to \$8 billion, for a record 11% share.

“Both product types benefitted from growing interest in guaranteed lifetime retirement income and protection from downside risk,” said Jeremy Alexander, CEO of Beacon Research, whose study doesn’t include fixed annuities in structured settlements or employer-sponsored retirement plans.

Fourth quarter indexed annuity sales were an estimated \$8 billion, up 16% from fourth quarter 2009. Income annuity sales of \$1.9 billion advanced 4% from the year-ago quarter. But indexed and income annuity sales fell from the third quarter of 2010 by 7% and 11%, respectively.

Allianz Life was the overall fixed annuity leader in the fourth quarter, with sales of \$2.003 billion. It had the top selling product, the MasterDex X indexed annuity, which dominated the independent producer channel.

Total U.S. sales of fixed annuities fell year-over-year, however, to an estimated \$71.7 billion in 2010. That was 31% below 2009, the second-strongest year in the study’s eight-year history. Estimated fourth quarter sales of \$16.7 billion slipped about 14% compared to both the year-ago and prior quarters.

Fixed rate annuity results were negatively affected by 2010’s interest rate environment. Annual book value sales dropped 49% from 2009 to an estimated \$26.5 billion, while market value-adjusted products slid 61% to \$5.8 billion. Fourth quarter’s book value sales were \$5.6 billion, down 38% and 19% from the year-ago and prior quarters, respectively. MVAs fell 29% relative to both periods, to \$1.3 billion.

Although rates increased, the fixed annuity rate advantage diminished, and rising rate expectations were a disincentive to buy. Those who did purchase fixed annuities chose shorter rate terms to avoid locking in fourth quarter’s rates for longer periods.

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Allianz led sales for the second consecutive quarter. American Equity (NYSE: AEL) moved up two notches to come in second, replacing Aviva, which came in fourth. New York Life continued in third place. Western National rejoined the top five in fifth place. Fourth quarter results for the top five study participants were

as follows:

Total Fixed Annuity Sales (in thousands)

Allianz Life	2,003,961
American Equity Investment Life Insurance Co	1,554,401
New York Life	1,340,157
Aviva USA	1,334,859
Western National Life	1,095,346

Western National once again traded places with New York Life to become the quarter’s top company in book value annuity sales. Allianz continued as the dominant issuer of indexed annuities, and New York Life remained the long-time leader in income annuity sales.

Three of these companies also were distribution channel leaders. Allianz had top sales through independent agents. New York Life was the dominant company in the career agent and large/regional broker-dealer channels. Western National led in bank channel sales. The remaining channel leaders were: MassMutual, independent broker-dealers; Pacific Life, wirehouses, and; USAA, direct/third party.

Of the 500 products tracked by the Study, both Allianz and American Equity had two indexed annuities in the top five. The Allianz MasterDex X was the quarter’s bestseller again, while Endurance Plus came in fifth. American Equity’s Retirement Gold moved up a notch to take second place and its Bonus Gold placed fourth. The New York Life Lifetime Income Annuity advanced one notch to come in third.

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Rank	<u>Company Name</u>	<u>Product Name</u>	<u>Product Type</u>
1	Allianz Life	MasterDex X	Indexed
2	American Equity	Retirement Gold	Indexed
3	New York Life	NYL Lifetime Income Annuity	Income
4	American Equity	Bonus Gold	Indexed
5	Allianz Life	Endurance Plus	Indexed

The New York Life Preferred Fixed Annuity was the new bank channel bestseller. In the large/regional B-D channel, The New York Life Secure Term Fixed Annuity replaced another New York Life product. The other channel-leading products were repeat performers.

<u>Channel Type</u>	<u>Company</u>	<u>Product</u>	<u>Product</u>
Banks and S&Ls	New York Life	NYL Preferred Fixed Annuity	Book Value
Captive Agents	New York Life	NYL Lifetime Income Annuity	Income
Direct/Third Party	USAA	Flexible Retirement Annuity	Book Value
Independent BDs	MassMutual	RetireEase	Income
Indep. Producers	Allianz Life	MasterDex X	Indexed
Large/Regional BDs	New York Life	NYL Secure Term Fixed Annuity	Book Value
Wirehouses	Pacific Life	Pacific Frontiers II	MVA

About the Beacon Research Fixed Annuity Premium Study

The quarterly Study is the first and only source to track and analyze product-level fixed annuity sales on an ongoing basis. Providing timely market intelligence of the highest quality, it's designed to report what's moving in each channel and *why*.

About Beacon Research

Beacon Research tracks fixed, indexed and variable annuity sales, rates and features, and provides web-based systems at www.annuitynexus.com for distributors and insurance companies. Beacon also licenses information and software tools to other platforms, including EbixExchange's AnnuityNet annuity automation platform. Beacon's fixed annuity benchmark series — the industry's first - is available through Ibbotson Associates. Directly and through strategic alliances, Beacon information can be accessed by hundreds of financial institutions and distributors.

