

Fixed Annuity Sales Running Flat in 2011: Beacon

By Editor Test Wed, Nov 30, 2011

"It's an interesting environment," said Beacon Research CEO Jeremy Alexander (left). "The word is that some carriers are keeping a lid on business" because of the low rates.

Despite an unfavorable interest rate environment, third quarter 2011 sales of income and indexed annuities topped the year-ago quarter, according to the Beacon Research *Fixed Annuity Premium Study*. The quarterly study tracks the sales of some 600 fixed annuities.

In summary:

- Income annuity sales advanced 5% to \$2.2 billion from a year ago.
- Indexed annuities inched up 0.4% to \$9.0 billion.
- Indexed annuity sales grew 7% from second quarter.
- Year-to-date income annuity results increased 3% to \$6.3 billion.

Sales were drive by "strong demand for guaranteed lifetime retirement income, be it the personal pension provided by income annuities or the lifetime withdrawal benefits offered by most indexed annuities," said Jeremy Alexander, CEO of Beacon Research.

"We expect fourth quarter sales to decline due to seasonality as well as the difficult interest rate environment," he added. "Beyond that, results aren't likely to improve much until rates rise. But, as always, a lot will depend on the decisions of the companies that issue and distribute fixed annuities."

Estimated Sales by Product Type (in \$ millions)					
	Total	Fixed Rate Non-MVA	Fixed Rate MVA	Indexed	Income
YTD 2011	58,300	23,213	4,235	24,578	6,260
YTD 2010	58,780	22,990	4,990	24,729	6,069
% change	-0.8%	1.0%	-15.1%	-0.6%	3.2%
Q3 '11	18,980	6,457	1,282	9,008	2,226
Q3 '10	20,490	7,471	1,927	8,972	2,111
% change	-7.4%	-13.6%	-33.4%	0.4%	5.4%
Q3 '11	18,980	6,457	1,282	9,008	2,226
Q2 '11	20,410	8,178	1,506	8,438	2,280
% change	-7.0%	-21.0%	-14.9%	6.8%	-2.4%

Alexander believes that the rate environment has made manufacturers cautious. "The credit spreads increased, and you might say that this is not a bad environment given the spreads. But writing business at

rates this low may mean money coming off the books if rates increase dramatically in the next few years," he said.

"Some of the carriers in study increased their sales in third quarter—some fairly dramatically. But the word is that some carriers are keeping a lid on business," Alexander added. "Also, with rates so low, companies are struggling with investments whose income has to be reinvested at low rates. I would surmise that there's a fair amount of demand. If carriers loosened their belts, they'd sell [products]. It's an interesting environment."

Year-to-date 2011 sales fell 1% to \$58.3 billion. Aside from the income annuity increase, there were small declines in sales of indexed annuities (down 1% to \$24.6 billion) and fixed rate non-MVAs (down 1% to \$23.2 billion). Sales of fixed rate MVA (market value adjusted; a penalty or premium is assessed or paid on surrenders, depending on whether interest rates have risen or fallen, respectively) annuities dropped 15% to \$4.2 billion.

Fixed annuity sales were \$19.0 billion in the third quarter, 7% below results in both the year-ago and prior quarters. Lower interest rates dampened sales of fixed rate annuities. Non-MVA (Book value) sales of \$6.5 billion fell 14% from a year ago and 21% from second quarter. MVAs posted \$1.3 billion in sales, down 33% from third quarter 2010 and 15% from the prior quarter.

Each of the top five companies changed position from the prior quarter. Allianz regained sales leadership from Western National. American Equity and Aviva each moved up a notch to come in third and fourth, respectively. New York Life took fifth place. Third quarter results for the top five Study participants were as follows:

Sales of Top Five Fixed Annuity Sellers, 3Q 2011 (\$000s)	
Allianz Life	\$1,614,004
Western National Life	1,342,074
American Equity	1,267,361
Aviva USA	1,259,723
New York Life	922,021

Pacific Life was the new MVA sales leader. Last quarter's sales leaders remained the same: Allianz led in indexed sales, Western National in fixed rate non-MVA contracts, and New York Life in income annuities.

MassMutual had top sales through independent broker-dealers. The other distribution channel leaders were unchanged. Western National was the leading bank channel carrier. New York Life led in captive agent and large/regional broker-dealer sales. USAA was the dominant direct/third party channel company. Allianz posted top independent producer sales. Pacific Life remained the leader in wirehouse sales.

The top five products of third quarter were indexed annuities except for New York Life's Lifetime Income Annuity, which moved up one place to come in second. The Allianz MasterDex X remained the leading product. American Equity's Retirement Gold jumped two notches to come in third, followed by the company's Bonus Gold. Aviva rejoined the top five with Balanced Allocation Annuity 12 taking fifth place.

Five Top-selling Fixed Annuity Contracts in 3Q 2011, in order of sales		
Product	Type	Company
MasterDex X	Indexed	Allianz Life
NYL Lifetime Income Annuity	Income	New York Life
Retirement Gold	Indexed	American Equity
Bonus Gold	Indexed	American Equity
Balanced Alloc. Annuity 12	Indexed	Aviva

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