

Fixed Annuity Sales Stall, but Security Benefit Stands Out

By Editor Test Wed, Dec 5, 2012

Low rates continue to weigh on fixed annuity sales, the latest Beacon Research Fixed Annuity Premium Study shows. But Beacon CEO Jeremy Alexander said he's encouraged that "a number of carriers are developing new indexed and income annuity products."

	Total	Indexed	Income	Fixed Rate Non-MVA	Fixed Rate MVA
Q3 '12	16,570	8,735	2,374	4,434	1,025
Q2 '12	17,100	8,845	2,287	4,783	1,191
% change	-3.1%	-1.2%	3.8%	-7.3%	-13.9%
Q3 '12	16,570	8,735	2,374	4,434	1,025
Q3 '11	19,000	8,690	2,226	6,627	1,460
% change	-12.8%	0.5%	6.7%	-33.1%	-29.8%
YTD 2012	50,610	25,746	6,816	14,471	3,585
YTD 2011	58,240	24,626	6,259	22,709	4,650
% change	-13.1%	4.5%	8.9%	-36.3%	-22.9%

Indexed annuities accounted for 53% of fixed annuity sales and income annuities grabbed a 14% share in the third quarter of 2012, according to the Beacon Research *Fixed Annuity Premium Study*. Both stats represented record-high market share for those products.

Quarterly and YTD results were lower due to large decreases in fixed rate annuity sales, however. Total fixed annuity results were \$16.6 billion in third quarter 2012, down 13% from a year ago and 3% from the prior quarter. Year-to-date sales fell 13% to \$50.6 billion.

Indexed annuities had their third-best quarter ever. Sales of \$8.7 billion were up 0.5% year over year, though down 1% from the previous quarter. At \$2.4 billion, income annuities also posted their strongest quarter ever, with deferred income annuities (DIAs) generating 77% of the \$87 million quarter-to-quarter increase.

On a year-to-date basis, both product types had record-high results, with indexed sales at \$25.7 billion (up 4.5%) through three-quarters and income sales at \$6.8 billion (up 9%).

"Indexed and income annuity market shares grew because their value propositions were attractive relative to the conservative alternatives in third quarter's low interest rate, uncertain economy," said Jeremy Alexander, CEO of Beacon Research. "They also became more dominant because fixed rate annuity sales declined so significantly. Many carriers focused on the profitability of their fixed rate annuity product lines at the expense of sales."

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New kid on the block

Security Benefit Life became a top five company for the first time, joining in fourth place. Aviva USA and New York Life switched places to come in second and third, respectively. American Equity moved down a notch to take fifth place. Allianz continued as the quarter's leading company. Third quarter results for the top five study participants were as follows:

Total Fixed Annuity Sales (in \$ thousands)

Allianz Life	1,312,996
Aviva USA	1,064,137
New York Life	1,060,765
Security Benefit Life	1,034,069
American Equity	982,013

Nationwide took the lead in sales of fixed rate non-MVA (non-market value adjusted) annuities, and was also the new leader in the bank and wirehouse channels. Pacific Life became the top fixed annuity issuer among independent broker-dealers. The other leaders in sales by product type and distribution channel were unchanged from the prior quarter.

In sales by product type, Lincoln National rejoined the top five, with its Alliance (fixed rate non-MVA) taking fifth place. New York Life's Lifetime Income Annuity was again the quarter's bestseller. Indexed annuities from Allianz, American Equity and Aviva USA remained top five products. American Equity's Bonus Gold moved up two notches to come in second.

<u>Rank</u>	<u>Company Name</u>	<u>Product Name</u>	<u>Product Type</u>
1	New York Life	NYL Lifetime Income Annuity	Income
2	American Equity	Bonus Gold	Indexed
3	Aviva USA	Balanced Allocation Annuity 12	Indexed
4	Allianz Life	MasterDex X	Indexed
5	Lincoln National	Alliance	Fixed Rate Non-MVA

"We're encouraged to hear that a number of carriers are developing new indexed and income annuity products, and also investing in technology to support their fixed annuity business," Alexander concluded. "But we don't expect much sales growth until the interest rate environment improves."

About Beacon Research's *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, and the first to put a decade's worth of historical industry, company and product sales information in an easily-searchable online database at www.annuitymarketstudy.com.