
Growth Spurt for VAs in Q4 and 2010: LIMRA

By Editor Test *Wed, Feb 23, 2011*

The stock market rally drove a double-digit rise in VA sales in the fourth quarter of 2010. Index annuities had another record year, but other fixed annuities suffered.

As the equities market go, so go variable annuities.

Variable annuities (VA) sales grew 10% in 2010 to reach \$140.5 billion, according to LIMRA. In the fourth quarter, VA sales rose to \$38.5 billion—17% over the fourth quarter of 2009 and 11% higher than the third quarter of 2010.

From September 1 to February 18, the Dow rose from 10,016 to 12,391, an almost 24% gain.

The results were reported in LIMRA's *U.S. Individual Annuities Fourth Quarter 2010 Sales Report*, which represents 96% of the market.

"We saw growth in almost two-thirds of the VA industry in 2010," said Joseph Montminy, assistant vice president for annuity research at LIMRA. "Strong growth in the equities market and continued interest in guarantee income riders drove fourth quarter VA sales to its highest level in more than two years."

At \$57.6 billion, total individual annuity sales in the fourth quarter of 2010 were 6% above the same period last year and 3% above the third quarter of 2010. Overall, total annuity sales fell 7% in 2010, however, mainly because of lower fixed annuity sales.

Indexed annuities enjoyed record sales for a second consecutive year in 2010, rising 7% over 2009 to reach \$32.1 billion. In the fourth quarter of 2010, indexed annuity sales improved 17%, to \$8.2 billion, over the same quarter a year earlier.

Indexed annuities outperformed fixed-rate deferred annuities for the first time ever in the fourth quarter of 2010, by 43% to 40%.

At \$19.1 billion, total fixed annuity sales in the fourth quarter of 2010 were 9% below sales in fourth quarter 2009 and 10% under sales in the third quarter of 2010. After a breaking records in 2009, total fixed sales in 2010 were down 27%, to \$80.8 billion. Low interest-rate spreads will continue to deter fixed annuity sales until the current economic environment improves, LIMRA experts believe.

At \$6.4 billion, book value annuity sales were 33% lower than in the fourth quarter of 2009 and 11% percent lower than sales in the prior quarter. Total book value sales were 45% lower in 2010 than in 2009, at \$29.3 billion.

Fourth quarter MVA sales of \$1.3 billion slipped 13% from the fourth quarter of 2009 and 28% from third quarter 2010 levels. Fixed immediate annuity sales were flat in the fourth quarter of 2010 versus the fourth

quarter of 2009, totaling \$1.8 billion, a 10% decline from the third quarter of 2010. In 2010, fixed immediate annuity sales were one percent higher than in 2009.

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