

In Off-Year for Annuities, FIAs and DIAs Shine: LIMRA

By Editor Test Thu, Feb 21, 2013

Overall, annuity sales were \$52.6 billion in the fourth quarter, down 8% from the previous year. For the year, annuity sales dropped 8%, tallying \$219.4 billion. Variable annuity sales totaled \$147.4 billion in 2012, down 7% from 2011.

| | Q4 2012 | Q4 2011 | Pct Chg Q4/Q4 | YTD 2012 | YTD 2011 | Pct Chg 2012/2011 |
|------------------------|---------------|---------------|---------------|--------------|--------------|-------------------|
| Variable | | | | | | |
| Separate accounts | 28.0 | 29.5 | -5% | 117.9 | 124.1 | -5% |
| Fixed accounts | 7.0 | 8.5 | -18% | 29.5 | 33.8 | -13% |
| Total Variable | 35.0 | 38.0 | -8% | 147.4 | 157.9 | -7% |
| Fixed | | | | | | |
| Fixed-rate deferred | 5.9 | 7.4 | -20% | 25.7 | 35.1 | -27% |
| Book value | 4.9 | 6.2 | -21% | 21.2 | 29.9 | -29% |
| Market value adjusted | 1.0 | 1.2 | -17% | 4.5 | 5.2 | -13% |
| Indexed | 8.5 | 8.3 | 2% | 33.9 | 32.2 | 5% |
| Fixed deferred | 14.4 | 15.7 | -8% | 59.6 | 67.3 | -11% |
| Fixed immediate | 2.0 | 1.9 | 5% | 7.7 | 8.1 | -5% |
| Structured settlements | 1.2 | 1.3 | -8% | 4.7 | 5.1 | -8% |
| Total Fixed | 17.6 | 18.9 | -7% | 72.0 | 80.5 | -11% |
| Total | \$52.6 | \$56.9 | -8% | 219.4 | 238.4 | -8% |

Industry estimates reported for the fourth quarter 2012 based upon data from 57 companies, representing 95 percent of total sales.

Six years ago, deferred income annuities (aka longevity insurance) offered great payout rates, but no one was interested in them—partly because minimum distribution requirements made them awkward to buy with qualified money.

Now, with the RMD problem amended, those products, whose income start date is typically about ten years after purchase, are selling well for the handful of companies that issue them—despite much humbler payout rates. Their overall market share is still tiny, however.

Sales of deferred income annuities (DIA) reached \$1 billion in 2012, according to LIMRA's fourth quarter 2012 *U.S. Individual Annuities Sales* survey, which represents data from 95% of the market. Fourth quarter DIA sales reached \$390 million, up almost 150% from the first quarter (\$160 million), but still less than one percent of fourth quarter total annuity sales.

"We anticipate these products will continue to have remarkable growth," said Joe Montminy, assistant vice president and director of LIMRA annuity research, in a release. "We see new companies entering this market and existing players launching new products, targeting younger boomers looking to create an income stream when they retire." Consumers age 45-59 have almost \$10 trillion in financial assets, he said.

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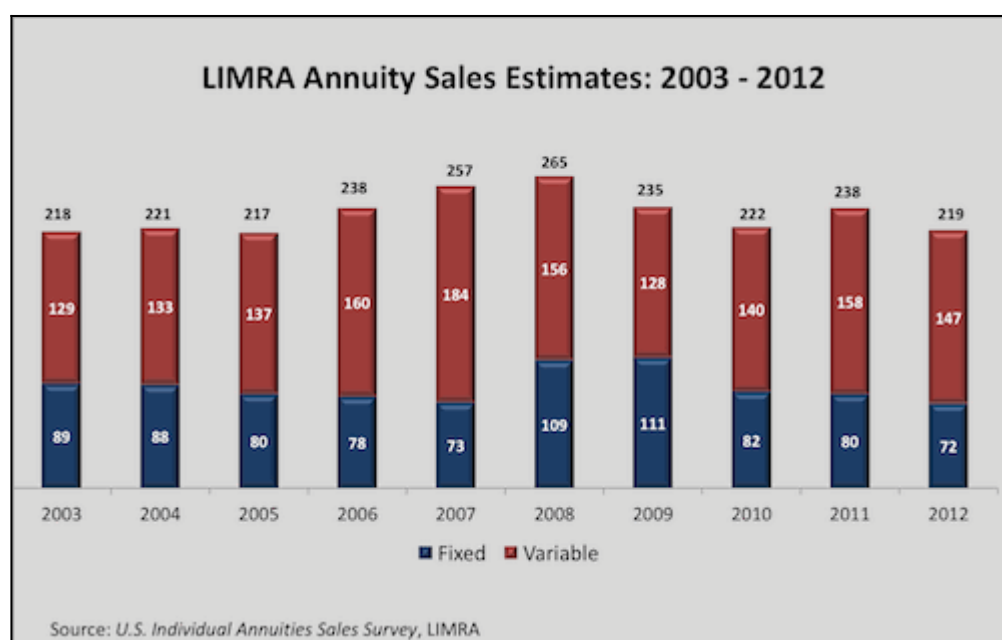
Overall, annuity sales were \$52.6 billion in the fourth quarter, down 8% from the previous year. For the year, annuity sales dropped 8%, tallying \$219.4 billion. Variable annuity (VA) sales decreased 8% in the

fourth quarter, to reach \$35.0 billion. VA sales totaled \$147.4 billion in 2012, down 7% from 2011.

Variable annuity sales generally rise with equity prices, Montminy said, but in 2012 they declined while equity prices rose. That was a result of pullbacks by some of the major issuers, notably MetLife.

“Unlike historical trends, VA sales did not follow equity market growth, which increased 13 percent in 2012,” he noted. “VA sales performance in 2012 was clearly influenced by companies’ strategic management of their books of business – removing some products from the market, limiting additional contributions into existing contracts, and revising features/pricing on GLB riders.”

Total fixed annuity sales hit a 12-year low of \$72.0 billion in 2012, down 11% from 2011. Sales were \$17.6 billion in the fourth quarter, down 7% from the year-ago quarter.



In 2012, indexed annuity sales hit a record high of \$33.9 billion — up 5% compared to 2011.

Indexed annuity sales grew slightly in the fourth quarter, reaching \$8.5 billion, an increase of two percent over one year ago. However, this was two percent lower than third quarter sales.

Product innovations introduced by new entrants in the FIA space, namely Apollo Global

Management, Guggenheim Partners and Harbinger Group, helped boost sales.

Most FIA purchasers opt for contracts with guaranteed lifetime withdraw benefit (GLWB) riders. A record 73% of consumers elected a GLWB rider, when available. LIMRA estimates that 87% of indexed annuities sold offer GLWB.

Punished by low interest rates, fixed-rate deferred annuity sales (book value and market value adjusted) were down 20% in the fourth quarter and down 27% for the year. Annual fixed-rate deferred product sales were \$25.7 billion in 2012, the lowest since 1998.

Book value sales declined 21% in the fourth quarter to \$4.9 billion; Market-value adjusted (MVA) sales were \$1.0 billion, down 17%. For the year, book value and MVA declined 29% and 13% respectively. Single premium immediate annuities (SPIAs) grew 5% in the fourth quarter to reach \$2.0 billion.

However, SPIA sales declined 5% in 2012 to \$7.7 billion.

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