
Index Annuities Set Quarterly Sales Record

By Editor Test Tue, Aug 18, 2009

“Never has there been a more challenging period for those selling indexed annuities,” said Sheryl J. Moore, president and CEO of AnnuitySpecs.com.

Indexed annuity sales rose 21.2% in the second quarter of 2009, to \$8.3 billion, compared to the second quarter of 2008, and were 18.3% higher than in the first quarter of 2009, according to the 48th annual Advantage Index Sales & Market Report, which surveyed 47 carriers representing 99% of FIA production.

With over \$15 billion in sales for the first half of 2009, the industry—which still doesn’t know if its products will be regulated as securities under proposed SEC Rule 151A or as insurance products—is on track to top its full-year record of about \$26 billion in 2005. Aviva leads the market with a 20% share. Allianz Life’s MasterDex X was the top-selling FIA during the quarter.

“Never has there been a more challenging period for those selling indexed annuities,” said Sheryl J. Moore, president and CEO of AnnuitySpecs.com, which conducts the survey. “Scarce capital has resulted in most carriers making changes to their annuities including commission reductions, premium bonus reductions, increasing minimum premiums, and dropping issue ages.

“We’ve even seen folks terminating distribution and halting new agent appointments. Despite these challenges, Americans have spoken, and indexed annuities are the product of choice!” she added. Moore projects record-setting sales for the remainder of 2009, despite the challenging market.

Moore tracks the percentage of indexed annuity contracts that are purchased with guaranteed lifetime withdrawal benefit (GLWB) riders. The figures are proprietary, but she said they are commensurate with the rider election rates on variable annuities, which are above 80%. Indexed annuity contract owners tend to use the rider as an alternative to annuitization, she said, while variable annuity contract owners primarily use GLWBs to protect principal.

Due in part to proposed Rule 151A, which is in limbo after being remanded to the SEC for further development by a U.S. District Court of Appeals in July, the indexed annuity industry has consolidated. A year ago, 59 carriers offered 333 indexed annuities. Today, 45 companies offer 266 contracts. Half of all indexed annuity sales continue to come through Iowa-domiciled companies, Moore said.

For indexed life sales, 32 carriers participated in the Advantage Index Sales & Market Report, representing 100% of production. Second quarter sales were \$132.4 million, up almost 26% from the previous quarter and 3% from the same period in 2008.

“The indexed life market is finally improving, since the disruption due to the 2001 CSO transition,” Moore declared, referring to a change in mortality table standards. “And because of the decline of the equities markets, and the guarantees that Americans are seeking, we’re going to see more companies entering the indexed UL market.”

Aviva maintained the largest market share, with 21%. Pacific Life's Indexed Accumulator III also held on to its rank as the best-selling indexed life product for the quarter. Nearly 80% of sales used an annual point-to-point crediting method, and nearly 47% of sales were placed into 9-10 year contracts.

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