

Record sales for income, indexed annuities in Q4 2011: Beacon

By Editor Test *Wed, Mar 14, 2012*

Fourth quarter's fixed annuity sales held up well on a period-to-period basis, declining only 1.7% to \$17.3 billion. At \$2.2 billion, income annuities were up 17.6%.

Despite a difficult interest rate environment, income annuity sales grew almost 18% in fourth quarter and nearly 7% in 2011, according to estimates from the Beacon Research *Fixed Annuity Premium Study*. This growth gave them a record-high 13% of fourth quarter's sales. Indexed annuity results held their own, claiming a 48% share of the quarter's sales - also a record high.

"Income annuities did remarkably well, considering that lower interest rates and a flatter yield curve reduced payouts," said Jeremy Alexander, CEO of Beacon Research. "Income annuities generally provide the most retirement income bang for the buck. Sales results indicate that advisors and their clients are becoming aware of how these products can be used to create a personal pension. Similarly, guaranteed lifetime income benefits helped sustain indexed annuity sales despite lower cap or participation rates."

Total annual fixed annuity sales were resilient during the difficult conditions of 2011, falling just 1.1% to \$75.6 billion. Income annuity results advanced 6.6% to \$8.5 billion. Indexed annuities did about the same at approximately \$33 billion. Fixed rate non-MVA annuity sales of \$28.1 billion and MVA sales of about \$6 billion were down 3.1% and 5.5%, respectively.

Fourth quarter's fixed annuity sales also held up surprisingly well on a period-to-period basis, declining only 1.7% to \$17.3 billion. At \$2.2 billion, income annuities were up 17.6%. Indexed annuity and fixed rate MVA results were essentially flat at \$8.4 billion and \$1.3 billion, respectively. Fixed rate non-MVA sales decreased 10.3% to \$5.4 billion. Overall sales fell 8.8% from third quarter, with weaker results for all product types.

Estimated Sales by Product Type (in \$ millions)					
	Total	Fixed Rate Non-MVA	Fixed Rate MVA	Indexed	Income
2011	75,570	28,117	5,996	32,978	8,481
2010	76,400	29,017	6,348	33,080	7,958
% change	-1.1%	-3.1%	-5.5%	-0.3%	6.6%
Q4 '11	17,330	5,409	1,346	8,352	2,221
Q4 '10	17,620	6,026	1,358	8,351	1,889
% change	-1.7%	-10.3%	-0.9%	0.0%	17.6%
Q4 '11	17,330	5,409	1,346	8,352	2,221
Q3 '11	19,000	6,627	1,460	8,690	2,226

% change	-8.8%	-18.4%	-7.8%	-3.9%	-0.2%
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Three of fourth quarter’s top five companies changed position from the prior quarter. American Equity and Aviva moved up a notch to come in second and third, respectively. Western National moved to fourth place. Allianz and New York Life remained in first and fifth place, respectively. Fourth quarter results for the top five Study participants were as follows:

Total Fixed Annuity Sales (in thousands)

Allianz Life	1,491,418
American Equity	1,372,103
Aviva USA	1,233,303
Western National Life	1,118,218
New York Life	923,031

New York Life was the new MVA sales leader, and continued as the dominant income annuity issuer. The other top companies in sales by product type were unchanged from the prior quarter: indexed - Allianz, and fixed rate non-MVA - Western National.

In sales by distribution channel, Jackson National was the new leader among independent broker-dealers, and Nationwide took the lead in wirehouses. The other distribution channel leaders were unchanged. Western National was the dominant bank channel carrier. New York Life led in captive agent and large/regional broker-dealer sales. USAA was the direct/third party channel leader. Allianz posted top independent producer sales.

Fourth quarter’s top five products and their rankings were unchanged from the prior quarter. All were indexed annuities except for New York Life’s Lifetime Income Annuity, which remained in second place. The Study tracks the sales of some 600 fixed annuities, and the top five products were:

<u>Rank</u>	<u>Company Name</u>	<u>Product Name</u>	<u>Product</u>
1	Allianz Life	MasterDex X	
Indexed			
2	New York Life	NYL Lifetime Income Annuity	
Income			
3	American Equity	Retirement Gold	

Indexed

4	American Equity	Bonus Gold	Indexed
5	Aviva	Balanced Allocation Annuity 12	Indexed

“As we expected, seasonality and the worsening interest rate environment drove a sequential drop in fourth quarter’s results,” Alexander said. “Fixed annuity sales typically fall to a certain level when the rate environment is unfavorable and remain there until rates and the yield curve improve. Fourth quarter may prove to be the period when results bottomed out.”