

Record Sales for Indexed, Income Annuities in 2Q: Beacon

By Editor Test *Wed, Sep 1, 2010*

The top sellers of fixed annuities were New York Life, Allianz Life, Aviva USA, Western National Life (AIG), and American Equity Investment Life.

U.S. sales of fixed annuities were an estimated \$19.4 billion in second quarter 2010, according to the Beacon Research *Fixed Annuity Premium Study*. Sales were up 18% from first quarter 2010. Compared to the unusually strong second quarter of 2009, results fell 30%.

Estimated year-to-date sales of \$35.9 billion were 43% below those of first half 2009, which were the largest since the Study began in 2003. Sales figures do not include structured settlements or employer-sponsored retirement plans.

Estimated second quarter 2010 sales of indexed and income annuities were the highest in the Study's 8-year history. Results for all four product types improved relative to the previous quarter. Income annuities advanced 31%, MVAs were up 29%, indexed annuities increased 25%, and book value annuities grew 6%. Compared to second quarter 2009, income and indexed annuities also were ahead – by 10% and 0.4%, respectively. But MVA sales fell 57%, and book value results dropped 48%.

Estimated second quarter and year-to-date sales, by product type:

Product Type	2Q Sales	YTD Sales
Indexed	\$8.2 billion	\$14.9 billion
Book value	\$7.2 billion	\$14.1 billion
Fixed income	\$2.4 billion	\$4.2 billion
MVA	\$1.5 billion	\$2.7 billion

Relative to first half 2009, income annuity results improved 2%. Sales of the other product types declined. MVAs fell 73%. Book value annuities were down 57%. Indexed annuities dropped 3%.

Credited rates fell during second quarter, with top rates on multi-year guarantee annuities dropping from more than 4% to 3.75%. However, the fixed annuity advantage over Treasury rates increased, and the market apparently was expecting lower rates in the future. Both factors boosted fixed annuity sales quarter-to-quarter. But although the yield curve flattened, fixed annuity sales by guarantee period changed surprisingly little.

“The spread between fixed annuity and Treasury rates has widened since second quarter, and the flight to safety has intensified. These conditions suggest a potential quarter-to-quarter sales increase of about

10%,” said Jeremy Alexander, CEO of Beacon Research.

“Actual results will depend on the capacity and willingness of issuers to write new business, of course. Longer term, we also expect rising demand to support growth in fixed annuity sales. The public will be more risk-averse for some time to come, there is wide recognition of the need to save for retirement, and the value of tax deferral seems likely to increase.”

There were no quarter-to-quarter changes in top five company rankings, which were as follows:

Total Fixed Annuity Sales (in \$thousands)

New York Life	1,740,520
Allianz Life	1,680,253
Aviva USA	1,613,045
Western National Life (AIG)	1,293,876
American Equity Investment Life	1,046,737

By product type, Western National replaced New York Life as the quarter’s dominant issuer of book value annuities. American National led in MVA sales, replacing Hartford. New York Life remained number one in income annuities, and Allianz continued as the leading indexed annuity issuer.

Four of second quarter’s top five products were also bestsellers in first quarter, though some rankings shifted. The Allianz MasterDex X, an indexed annuity, continued as the leading product. The New York Life Lifetime Income Annuity rose from fifth to second place. American Equity’s top indexed annuity, Retirement Gold, came in third again. The New York Life Preferred Fixed Annuity moved from second to fourth place. New Directions, an indexed annuity issued by Lincoln Financial Group, joined the top five in fifth place. Second quarter results include sales of some 425 products.

Rank	Company	Product	Product Type
1	Allianz Life	MasterDex X	Indexed
2	New York Life	NYL Lifetime Income Annuity	Income
3	American Equity	Retirement Gold	Indexed
4	New York Life	NYL Preferred Fixed Annuity	Book Value
5	Lincoln Financial	New Directions	Indexed

Three of these annuities also led distribution channel sales. All three were repeat performers, with

MasterDex X the top independent producer product, the New York Life Preferred Fixed Annuity the bestseller in banks, and the New York Life Lifetime Income Annuity the leader in captive agent sales. In wirehouses, Pacific Life’s Pacific Explorer was the new sales leader. The NYL Select Five Fixed Annuity replaced another New York Life product in the large/regional broker-dealer channel. Among independent broker-dealers, MassMutual’s RetireEase income annuity led sales for the second quarter in a row.

Channel	Company	Product	Product Type
Banks and S&Ls	New York Life	NYL Preferred Fixed Annuity	Book Value
Captive Agents	New York Life	NYL Lifetime Income Annuity	Income
Independent B-Ds	MassMutual	RetireEase	Income
Ind. Producers	Allianz Life	MasterDex X	Indexed
Large/Regional B-Ds	New York Life	NYL Select 5 Fixed Annuity	Book Value
Wirehouses	Pacific Life	Pacific Explorer	Book Value

© 2010 RIJ Publishing LLC. All rights reserved.