

Sales of income annuities up 30% in 2Q—Beacon Research

By Editor Test Sun, Aug 28, 2011

“Looking ahead, we believe that indexed and income annuities will continue to do well. The outlook for fixed rate annuities is more uncertain,” said Jeremy Alexander, CEO of Beacon Research.

Despite falling interest rates, fixed annuity sales increased again in the second quarter of 2011, according to the Beacon Research *Fixed Annuity Premium Study*. Overall, sales rose 8% to \$20.4 billion from the prior quarter, and sales of all but one product type grew.

Income annuities advanced 30%, to \$2.3 billion, while indexed annuities grew 18% to \$8.4 billion. Fixed rate Market Value Adjusted annuities rose 4%, to \$1.5 billion. Fixed rate non-MVAs fell 5% to \$8.2 billion.

“We anticipated the sequential growth in both indexed and income annuities,” said Jeremy Alexander, CEO of Beacon Research. “Indexed annuity cap rates trended lower, but still looked good compared to the quarter’s declining fixed rates on annuities and CDs. Their guaranteed lifetime income benefits were especially attractive during a time of reduced consumer confidence.

“The secure personal pensions provided by income annuities were appealing for the same reason. We also expected falling interest rates to dampen sales of both fixed rate annuity types. But yield-seeking purchasers apparently appreciated the somewhat higher rates offered by MVAs.

“Looking ahead, we believe that indexed and income annuities will continue to do well. The outlook for fixed rate annuities is more uncertain. Sales may benefit from the continued flight to safety and wider credit spreads or decline due to very low credited rates,” Alexander concluded.

Year-to-date 2011 sales increased 3% to \$39.3 billion from first half 2010. Growth in fixed rate non-MVAs (8% to \$16.8 billion) and income annuities (2% to \$4.0 billion) offset declines in fixed rate MVAs (- 4% to \$3.0 billion) and indexed annuities (-1% to \$15.6 billion).

Sales were flat compared to second quarter 2010. Improvements in fixed rate non-MVAs (up 4%) and income annuities (up 3%) were balanced by fixed rate MVA and indexed annuity declines of 12% and 2%, respectively.

Top Fixed Annuity Sellers, 2Q 2011	
Issuer	Sales (\$000s)
Western National Life	2,038,024
Allianz Life	1,871,993
New York Life	1,671,889
American Equity Investment Life	1,108,799
Aviva USA	1,078,332

By product type, the top companies were unchanged from the prior quarter. American National sold the

most fixed-rate MVAs, Western National sold the most fixed rate non-MVAs, Allianz sold the most indexed annuities and New York Life sold the most income annuities.

Top Selling Products, 2Q 2011		
Issuer	Product name	Product type
Allianz Life	MasterDex X	Indexed
New York Life	NYL Secure Term Fixed Annuity	Fixed, Non-MVA
New York Life	NYL Lifetime Income Annuity	Income
Lincoln Financial	Lincoln New Directions	Indexed
American Equity	Retirement Gold	Indexed

Channel	Top-selling company	Issuer of top-selling product	Top-selling product
Banks and S&Ls	Western National	Western National	Proprietary Bank Product A (Fixed, non-MVA)
Captive agents	New York Life	New York Life	Lifetime Income Annuity (Income)
Direct/Third-party	USAA	USAA	Flexible Retirement Annuity (Fixed, non-MVA)
Independent B/Ds	Security Benefit	ING	Secure Index 7 (Indexed)
Independent producers	Allianz Life	Allianz Life	MasterDex X (Indexed)
Large/regional B/Ds	New York Life	New York Life	Secure Term (Fixed, non-MVA)
Wirehouses	Pacific Life	Pacific Life	Pacific Frontiers II (Fixed, MVA)