
Variable Annuity Sales Fall 18% in 2009

By Editor Test Thu, Feb 25, 2010

"The last time VA sales were at this level was in 2003, at the end of the last financial crisis," said LIMRA's research director.

After dropping 26% in the first six months of 2009, variable annuities (VA) sales finished the year down by only 18%, according to LIMRA's *U.S. Individual Annuities* quarterly sales survey.

Fourth quarter VA sales were up three percent, to \$32.6 billion, from the third quarter but three percent below sales in the fourth quarter of 2008. For all of 2009, VA sales totaled \$127 billion.

"The last time VA sales were at this level was in 2003, at the end of the last financial crisis," said Joe Montminy, assistant vice president and research director for LIMRA's annuity research.

"VA sales experienced significant losses from the third quarter of 2008 through first quarter 2009 and while we are seeing VAs slowly recover, the recovery is slower than expected. We attribute this partly to a decline in 1035 exchanges."

With so many living benefit riders "in the money" because of still-depressed account balances, contract owners have a disincentive to exchange their existing contracts for new ones. Such exchanges might also be deemed "unsuitable" by broker-dealers if reps recommended them.

Overall individual annuity sales fell 2% in the fourth quarter, as compared the prior quarter, to \$53.3 billion. This was a 22% decline from the fourth quarter of 2008. Total individual annuity sales declined 11% in 2009, to \$234.9 billion.

In fourth quarter of 2009, fixed annuity sales were down 10% from the third quarter and down 40% from the fourth quarter of 2008. Fixed annuity sales totaled \$20.7 billion in the fourth quarter and \$107.9 billion for the year, down one percent from 2008.

LIMRA predicts fixed annuity sales will remain depressed, relative to sales of certificates of deposit, while interest rates remain at current levels.

In 2009, indexed annuities rose to a record \$29.4 billion, up 9% from 2008. Indexed annuities performed very well throughout the year, with a record-high in the second quarter. Fourth quarter sales were down 5% from the third quarter, at \$6.9 billion.

For the third consecutive quarter, sales of book value fixed annuities were down 10% from the third quarter and 43% from the fourth quarter of 2008. For all of 2009, sales of book value annuities were up 2%, thanks to strong first quarter sales.

Fourth quarter sales of market value-adjusted fixed annuities were down 35% from the third quarter and 80% from the fourth quarter of 2008. For 2009, MVA sales were down 20% from the prior year.

