Weiss Ratings names its favorite VAs

By Gavin Magor *Wed, Feb 29, 2012*

Gavin Magor of Weiss Ratings has selected what he calls the nine best variable annuity contracts. His criteria? Low fees, no front-end loads, no surrender charges and a solid investment portfolio.

Every year we release our selection of the best variable annuities looking for contracts with low fees, no front-end loads, no surrender charges and a solid investment portfolio. This year they've been harder than ever to find. TIAA-CREF dominates the list with the insurance giant offering four of the nine best annuities.

At a time of low interest rates, variable annuity (VA) sales were up during 2011 according to LIMRA's (Life Insurance and Market Research Association) fourth quarter 2011 U.S. Individual Annuities Sales survey. That is no surprise as investors would typically not want the low rates available on fixed-rate annuities. The surprise is, however, that sales dropped during the third and fourth quarter.

Insurer	**Variable annuity contract**
AXA Equitable Life	Retirement Cornerstone Series ADV
Fidelity Investments Life	Fidelity Personal Retirement Annuity
Nationwide Life	America's marketFLEX Advisor Annuity
Pacific Life	Pacific Odyssey
Teachers Insurance and Annuity Assoc. of America	TIAA Access 1
Teachers Insurance and Annuity Assoc. of America	TIAA Access 2
Teachers Insurance and Annuity Assoc. of America	TIAA Access 3
TIAA-CREF Life	Intelligent Variable Annuity
Western Reserve Life Assurance Co. of Ohio	WRL Freedom Advisor
Data sources: Weiss Ratings, Beacon Research, Morningstar Inc.	

Joseph Montminy, LIMRA assistant vice president, annuity research said "In this economic environment, VA companies are carefully managing the risks associated with their guaranteed living benefit riders,

which has had an impact on overall sales trends."

One interpretation of the trend is that although a variable annuity is probably the better route for the majority of folks out there, an insurer would much rather steer you to a fixed annuity, where it can control the risk so much better in this economic environment and lock buyers in at the low rates.

Not surprisingly, fixed annuity sales are lower than during the market collapse, when guarantees were like gold dust assuming that the insurer survived. Now the market sees little short-term movement, and the investor would like to at least share in any potential upside. This means that the investor is much more likely to want a variable annuity.

According to Beacon Research data, 76.5% of variable annuities incur surrender charges. Nearly 5% of those lock you in for as much as nine years, as with some Prudential Financial (NYSE: PRU) contracts and up to twelve years with one MetLife (NYSE: MET) annuity. Clearly there are advantages for a company to be certain of the money that it will be controlling and for a publically traded company there are outside pressures that are not faced by some privately held or mutual insurers.

Unfortunately it is the consumer who is so often required to pay the price for wanting to receive the potentially higher returns of a VA. The consumer should carefully examine all charges and fees before selecting an annuity, and flexibility of moving should be high on the list.

Our full list of best variable annuities for consideration offers the consumer that alternative. The choice of investment funds is extensive, averaging nearly 67 for each annuity. This should allow investors sufficient opportunity to find a place for their money, with a company that they feel comfortable with, and the knowledge that there will be no up-front fees or surrender charges.

Gavin Magor, senior financial analyst at Weiss Ratings, leads the firm's insurance ratings division and developed the methodology for Weiss' Sovereign Debt Ratings.

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