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Alexander was previously chief operating officer of one of the nation's largest independent brokers of fixed annuity products. He also received many sales awards as a licensed insurance and securities broker, including the Court of the Table. He serves on the Insured Retirement Institute (IRI) member services committee.

A frequent speaker at industry conferences, Alexander has written numerous articles on fixed annuity trends for insurance trade publications. He has authored a syndicated column, "This Way to Wealth," and has been quoted in publications including *The Wall Street Journal*, *the Boston Globe*, *USA Today*, *U.S. News and World Report*, and *the Chicago Sun-Times*. His investment ideas have been featured in such newsletters as "Profitable Investing" and "Personal Finance."

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# 2010 Fixed Annuity Study

Data for this article was drawn from the Beacon Research "Fixed Annuity Premium Study," the only ongoing study to report and analyze U.S. fixed annuity sales at the product level. The study reports sales data provided quarterly by participating insurance companies as well as results reported in statutory filings and other publicly available sources. Beacon checks this data for general reasonableness but does not perform independent audits.

For the 12 months ending December 31, 2009, the study tracked the sales of 48 insurance companies. Fixed annuity sales of these companies totaled \$88.1 billion for the period, representing an estimated 85 percent of the U.S. fixed annuity market. Beacon used this data to estimate overall sales and sales by product type. All other findings summarize the sales of carriers tracked by the study and are not overall market estimates. (When the study begins tracking a specific insurance company, its sales in prior periods are added to the historical database. In addition, this article covers calendar year 2009, while the previous article was based on the 12 months ending September 30, 2008. For these reasons, statistics related to the prior period will differ from those cited in last year's article.)

## Overview

**U.S. sales of fixed annuities were an estimated \$104.3 billion in calendar year 2009, down 2 percent (-\$2.4 billion) from record year 2008.** For fixed annuities, 2009 played out like 2008 in reverse. A brief review of 2008 will help provide perspective.

The economic problems of 2008 mounted in each successive quarter. Equities prices trended down all year. Credit spreads (the difference between corporate bond and Treasury rates) widened as investors increasingly fled to safer investments. Fixed annuities had a growing rate advantage over bank certificates of deposit (CDs) and other conservative alternatives because insurance companies buy corporate bonds to back fixed annuities, and credit spreads were widening. This rate advantage, coupled with the general flight to safety,

created a very favorable environment for fixed annuities. Sales grew sequentially all year, and would have been even stronger if capital constraints had not limited carriers' capacity to write more business. Fourth quarter results set what was then a record.

In contrast, fixed annuity sales declined sequentially in 2009. Unemployment climbed in the first quarter and the S&P 500 hit bottom in March. These worsening economic conditions kept demand high for conservative interest-bearing investments including fixed annuities.

Fixed annuity rates remained attractive, but declined from fourth quarter 2008 along with their rate advantage. This was partly because investment losses (realized or not) meant that a number of issuers lacked the reserves to back another surge in new

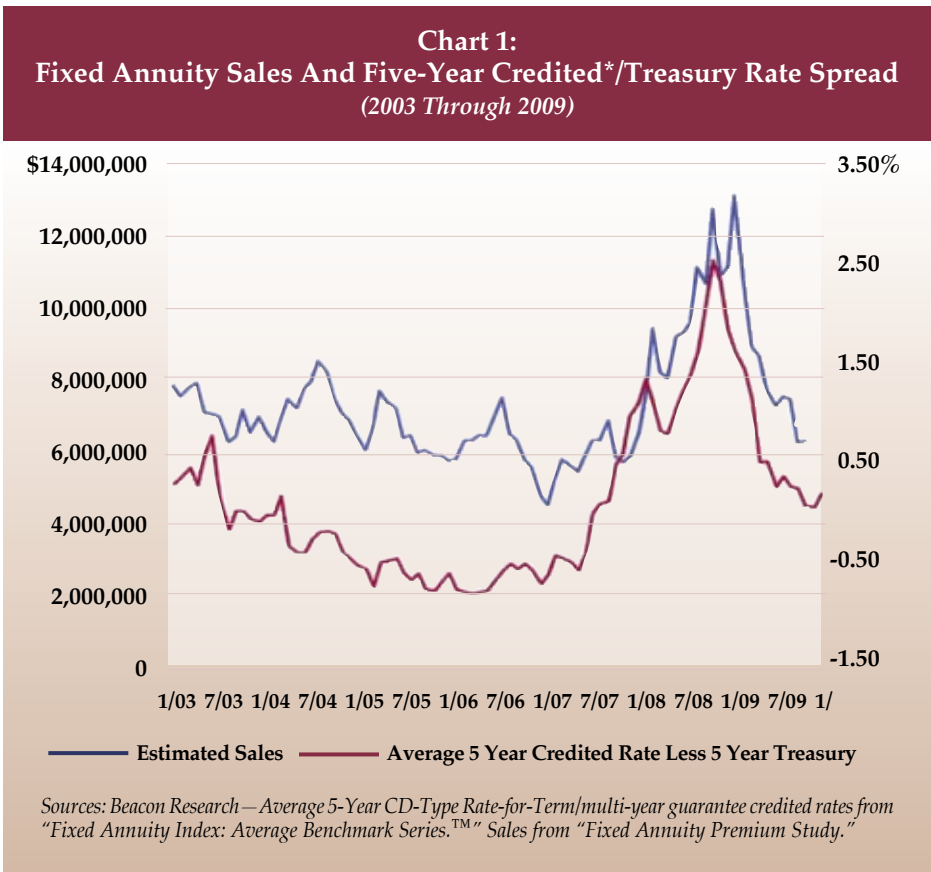
business. Many reduced credited, cap and minimum guaranteed rates as a way of limiting sales and pressure on reserves. But others took advantage of the strong demand and favorable credit spreads. First quarter 2009 results were the strongest since the study began in 2003, with estimated sales of \$34.8 billion.

After the first quarter, recessionary forces eased despite rising unemployment and foreclosures, and the economy actually started growing by the third quarter. Equities prices increased, but most retail investors sat out the rally. Somewhat less fearful and tired of low rates on CDs and Treasuries, they flocked to corporate bonds. Bond-based mutual funds had large net inflows all year, which drove down bond yields and narrowed the credit spread. Mainly for these reasons, fixed annuity credited rates declined, and so did their rate advantage.

A new limitation on fixed annuity sales emerged: issuers had an increasingly difficult time finding attractive investment-grade corporate bonds to back new business. However, carriers' capital constraints became a less important factor as the year progressed. Reserves were under less pressure because the value of investments improved due to higher stock and bond prices. Many companies also were able to shore up capital by issuing equity and debt. But some continued to limit sales of reserve-intensive fixed annuities by a variety of means, including below-market credited rates.

From their study-record peak in first quarter, fixed annuity sales fell in each successive quarter of 2009. Estimated sales were \$19.6 billion in fourth quarter 2009—almost exactly where they were in first quarter 2008.

A single statistic tells most of this story: the spread between average five-year CD-type (rate-for-term/multi-year guarantee) annuity rates and five-year Treasury rates. Since 2003, this spread has had a 0.8 correlation with fixed annuity sales. The close linkage between the two can be seen in Chart 1.



**Product Trends**

**The small year-over-year decline in estimated fixed annuity sales would have been significantly larger had it not been for the success of indexed annuities.** Estimated 2009 sales of these annuities were \$29.5 billion—up 11 percent from 2008. They were the only product type that was ahead year-over-year.

This growth would seem quite logical—indexed annuities tend to do well when equities prices are rising and the credited rates offered by fixed rate annuities are unattractive. However, the actual explanation is less obvious. As noted before, retail investors mainly sat out the stock market rally of 2009. They wanted certain returns on their money and bought bonds instead of equities for the most part. The strongest indexed annuity estimated results came in the second quarter (setting a study record of \$8.2 billion),

when the rally was just beginning and many doubted that it would continue.

Indeed, the upside potential return of indexed annuities was barely promoted during most of 2009 in the advertisements monitored by Beacon Research. It should be remembered that indexed annuities faced the same challenges in 2009 as the other fixed annuity product types. They also are backed mainly by corporate bonds. So falling yields and spread compression affected them, too—in the form of lower cap/participation and fixed account rates.

The same constraints limited new indexed annuity business as well—a shortage of attractive corporate bonds and the need to control pressure on reserves. In addition, these annuities spent 2009 in regulatory limbo: Would they or would they not be regulated as securities by the SEC? It is difficult to say whether this gen-

erally dampened sales or increased them due to a sell-them-while-you-can mentality on the part of agents lacking securities licenses and the marketing organizations that serve them.

Some companies found ways around these challenges. Pressure on reserves was minimized by such means as stretching out commission payments over two or three years. Wary annuity buyers were offered liquidity features like guaranteed return of premium or bailout cap rates on some products. And since the investing public was in the mood for guarantees, issuers stressed above-zero minimum guaranteed credited rates, premium bonuses, guaranteed lifetime withdrawal benefits (GLWBs) and/or very competitive one-year rates in fixed accounts.

Largely because of these fixed accounts rates, bank sales more than doubled. There were large percentage increases in the broker/dealer (BD) channels as well. These gains more than compensated for lower captive agent sales and a very small but surprising drop among independent producers. This growth pushed the indexed share of overall fixed annuity sales to 28 percent from 25 percent in 2008.

Estimated 2009 book value annuities sales were \$52 billion, down 3 percent from 2008. (Book value products are traditional declared rate fixed annuities without market value adjustments [MVAs]. MVAs adjust withdrawals during the surrender charge period to reflect current interest rates, transferring some risk to the annuity owner. If rates have risen since the contract was purchased, the withdrawn amount is reduced. If they've declined, the withdrawn amount is increased.)

Book value products set a study record in first quarter 2009, with estimated sales of \$19.2 billion. When fixed annuities have a rate advantage over other conservative interest-bearing alternatives, the impact is usually greatest in banks due to direct competition with CDs. This affects book value sales the most because banks sell the majority of these annuities (54 percent in 2009). This rate advantage narrowed over the remainder of the year, reaching its low-

est level in December, and results declined in each consecutive quarter.

Sales fell in banks and most other distribution channels relative to 2008, though study participants did post growth among captive agents as well as large/regional and independent BDs. Lower sales did not really affect the book value share of total fixed annuity sales, however. It remained at about 50 percent, making them again the dominant product type in 2009.

Sales of fixed rate annuities with MVAs were an estimated \$14.8 billion in 2009, 16 percent behind 2008. Results for these products are especially sensitive to interest rate trends for two reasons. MVAs tend to have longer interest rate guarantee periods and to offer rates that do not renew over surrender charge periods. They do well when credited rates are high and expected to drop. But conditions were not favorable for MVAs in 2009. People didn't want to be stuck with low rates for long periods because most expected higher rates when the economy recovers. And if future rates were to rise as expected, a negative MVA would be imposed on withdrawals during the surrender charge period. Participants' sales were down from 2008 in all channels except large/regional BDs, and the MVA share of total sales dropped to 14 percent from 17 percent.

Income annuity results fell 7 percent from 2008 to an estimated \$8.0 billion. (This includes products providing a series of payments, either within 13 months of purchase [immediate annuities or SPIAs] or more than 13 months after purchase [delayed income annuities or longevity insurance].) Several factors may have dampened sales. There was also spread compression in long term interest rates in 2009, and that affected these products. Purchases may have been postponed until rates—and therefore, payouts—are higher. Income annuities are used mainly to provide retirement income, so sales also may have dropped because people whose savings were depleted by the market meltdown of 2008 postponed retirement as a result.

On the other hand, these products

received an unprecedented amount of positive publicity as a means of providing guaranteed retirement income at a time when fewer and fewer people receive pensions. This favorable attention probably boosted sales in 2009 above what they otherwise would have been and set the stage for future growth.

**Participants' results actually improved over 2008 in most channels, but not enough to overcome a big drop among independent producers.** Interestingly, there were sizable percentage gains in banks and two BD channels. This was somewhat unexpected because income annuities had been thought too complicated for banks and too disliked by registered reps to do well with BDs. Income annuities had about 8 percent of estimated sales in 2009, virtually unchanged from 2008.

Results of the top 10 companies tracked by the study reflect these shares by product type. In 2009, half of the top issuers derived most of their sales from book value annuities, one from both fixed rate product types, and four from indexed annuities (see Chart 2: Top Fixed Annuity Carriers by Product Type).

#### Distribution Trends

**Study participants posted lower 2009 sales in all but three distribution channels compared to 2008.**

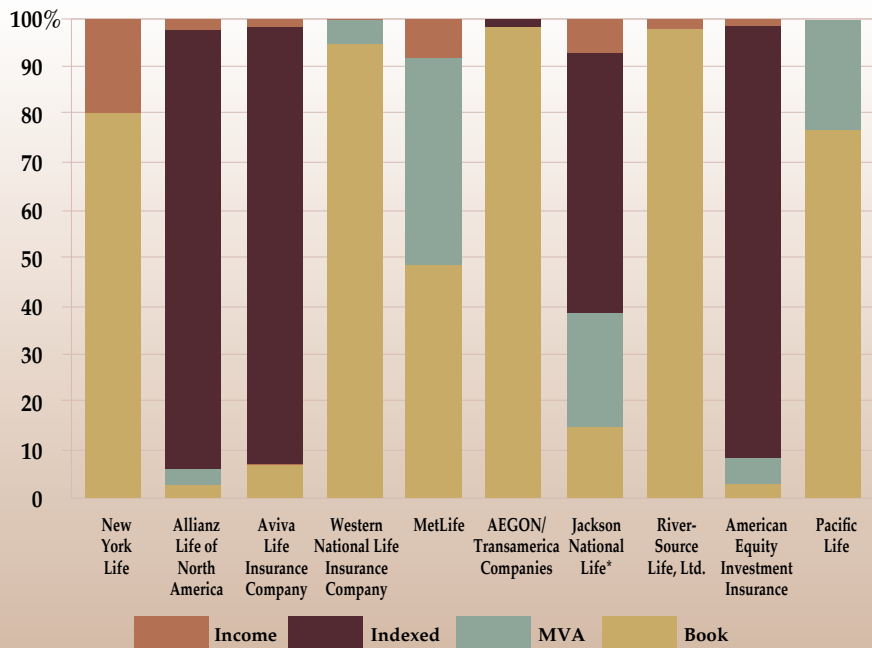
- ✓ Independent producers continued to be the most important channel, but their share dropped to 36 percent from 38 percent, with lower sales of all four product types.

- ✓ The bank share fell a bit—to 32 percent from 33 percent—on an 8 percent decline in overall sales. Growth in indexed and income annuities was not enough to overcome the decrease in fixed rate products.

- ✓ Captive agent sales were up 8 percent year-over-year, with gains in book value and income annuities. This boosted their share of participants' sales to 16 percent from 14 percent in 2008.

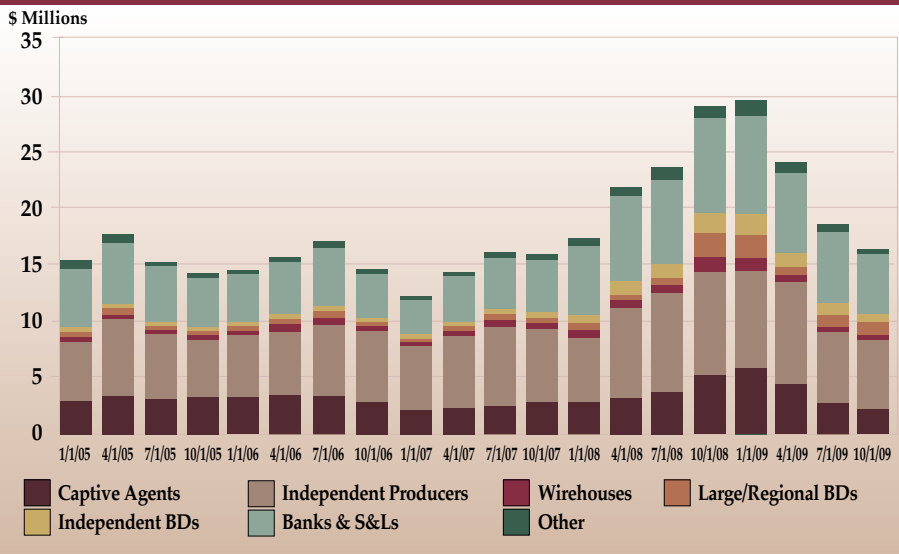
- ✓ The collective BD share grew slightly to 13 percent from 12 percent. Year-to-year sales were up 9 percent, thanks to a sizeable large/regional BD increase and a smaller in-

**Chart 2: Top Fixed Annuity Carriers By Product Type**  
(12 Months Ending December 31, 2009)



Source: Beacon Research, *Fixed Annuity Premium Study*  
\*Fourth quarter 2009 sales are estimated.

**Chart 3: Quarterly Fixed Annuity Sales By Channel**  
(January 1, 2005 – December 31, 2009)



Source: Beacon Research, *Fixed Annuity Premium Study*

dependent broker/dealer (IBD) gain. Sales of all product types were higher, with the exception of MVAs (see Chart 3: Quarterly Fixed Annuity Sales by Channel).

Participants' 2009 sales through independent producers dropped almost 9 percent from 2008—more than twice as much as their sales through all channels combined. Trends in this channel differed from all-channel patterns in several ways. As a result of these trends, independent producers became an even more important channel for MVA annuities. But their still-dominant share of indexed annuity sales slipped, they lost income annuity sales leadership, and their minor share of book value sales fell.

It is surprising that independent producers' results dropped more than was the case overall. In a year when indexed annuity results improved, it would make more sense if there had also been improvement in the channel that focuses the most on these products. (Some 68 percent of independent producers' 2009 sales came from indexed annuities, up from 63 percent in 2008.)

Even more surprising, there was actually a slight year-over-year decrease (less than 1 percent) in this channel's indexed annuity sales. This was primarily because some companies that market mainly or exclusively through independent producers limited sales of these products in 2009 in order to conserve capital. Independent producers continued to sell more indexed annuities than any other channel in 2009, but their share declined to 84 percent from 89 percent due mainly to sales growth in banks and BDs.

Independent producers also remained participants' most important MVA channel. Their sales of these annuities fell less (-12 percent) than in all channels combined (-17 percent). As a result, their share of participants' MVA sales grew to 39 percent from 37 percent in 2008.

In contrast, independent producers' income annuity results dropped more (-40 percent) than was the case overall (-8 percent). They were the most productive income annuity channel in 2008 with a 35 percent share. In 2009, their share fell to 23 percent and captive agents replaced them

as sales leaders in these annuities.

Independent producers are rarely a major source of book value sales, and 2009 was no exception. Their results were down 24 percent from the prior year versus a 4 percent decline overall. This pulled their 2009 share of participants' book value sales down to 8 percent from 10 percent in the previous year (see Chart 4: Independent Producer Sales by Product Type).

**The best-selling products of 2009 by channel reflect these distribution trends.**

- ✓ Among independent producers, 8 of the top 10 products—and 16 of the top 20—were indexed annuities.
- ✓ Just one indexed annuity appears on the top 10 bank list, and this product type is not represented at all among captive agent and IBD bestsellers.
- ✓ Two of the top 10—and three of the top 20—independent producer annuities were MVAs.
- ✓ IBDs also had two MVA bestsellers; banks and captive agents had none.
- ✓ Book value annuities dominate the top 10 lists of banks, captive agents and IBDs, but this product type is not represented at all in the independent producer top 20.

See Ten Best Selling Products for Other Distribution Channels and Twenty Best Selling Products for Independent Producer Distribution.

**Interest Rate Trends**

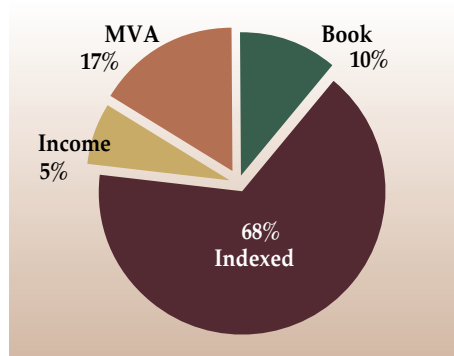
As mentioned, the 2009 interest rate environment was unfavorable for fixed annuities after first quarter.

The Federal Reserve kept its target funds rate near zero all year in order to stimulate the economy. But the Treasury yield curve (the difference between 1-year and 10-year Treasury rates) steepened, with longer term rates rising much more than one-year rates (see Chart 5: U.S. Treasury Yield Curve). Ordinarily, a steepening yield curve is positive for fixed annuities. Insurance companies tend to buy longer term bonds to back shorter term fixed rate annuities. The bigger the spread between shorter term and longer term rates, the more competitive fixed annuity rates—and indexed

annuity cap/participation rates—can be. But the steepening Treasury yield curve didn't help during 2009, because corporate bonds didn't closely track Treasuries as they normally do.

As discussed earlier, the demand for corporate bonds drove down yields all year. Fixed annuity rates fell throughout 2009 as a result. After first quarter, it became increasingly difficult to find a fixed rate annuity crediting at 5 percent, which had been a threshold acceptable rate in the low rate environment of the last few years. Even worse, the fixed annuity rate advantage dwindled as credit spreads narrowed. As documented in Chart 1, the spread between five-year Treasury rates and the average rate on a five-year CD-type (rate-for-term/

**Chart 4: Independent Producer Sales By Product Type**  
(12 Months Ending December 31, 2009)



Source: Beacon Research, *Fixed Annuity Premium Study*

**Chart 5: U.S. Treasury Yield Curve**  
(As of January 2009, June 2009 and January 2010)



multi-year guarantee) annuity dropped from 2.29 percent in January 2009 to just 0.06 percent in December.

To make matters yet more difficult, there was a general expectation of higher interest rates in the future due to anticipated continuation of the economic recovery and inflation. This created a disincentive to lock in the low rates of

2009 for very long. Book value and MVA sales moved to shorter interest guarantee periods as a result.

Long term rates on investment-grade corporate bonds were basically low and flat in 2009, and their spread over Treasury rates also narrowed. This undoubtedly had a negative effect on income annuity sales. After all, most purchases of these products

are lifetime commitments. If such a purchase could be delayed, why not wait for higher rates and bigger payouts in a year or two?

**Outlook**

As of this writing in early May, Beacon Research has received first quarter 2010 submissions from most study participants. It appears that first quarter results were down significantly—but not dramatically—from fourth quarter 2009.

Credited rates haven't changed much since the first quarter, so the top rates as of May 6 provide a partial explanation for these results (see Chart 6: Top Yielding Certificate Type Fixed Annuities.) The highest credited rate in Beacon's AnnuityNexus database on May 6, 2010 was 4.3 percent for 15 years. Our last *Broker World* article included a similar chart of top rates as of February 12, 2009. Back then, the highest credited rates were at least 5 percent on rate terms of five years or more. It seems that 4 percent has become the new 5 percent in the sense of the best available credited rate. But it does not yet appear that 4 percent is the new 5 percent in terms of the threshold attractive rate for fixed annuity buyers.

These top rates are significant because near-term fixed annuity sales will be driven mainly by the interest rate environment in relation to the equities market. We don't expect results to improve until rates rise, credit spreads widen and/or fixed annuities become a more attractive choice relative to the alternatives. There is reason to expect this will occur. Retail investors are beginning to move into equities mutual funds and exchange-traded funds. Corporate bond yields will rise as the massive influx into bond funds abates and the need to borrow grows with the recovery. In addition, the Federal Reserve will raise its target funds rate once unemployment subsides and the recovery appears secure. The big run-up in equities prices is slowing and a correction is expected by many observers.

But the economic recovery is still fragile, so there is also reason to think that rates and equities prices may not behave as expected. On May 6, the Dow Jones Industrial

**Chart 6:  
Top Yielding Certificate Type Fixed Annuities  
By Interest Rate Term\* (as of 5/6/2010)**

Company Name	Product Name	Rate Term (Yrs.)	Min. Guaranteed Rate	Base Rate	Bonus Rate	Bonus Length (Yrs.)	**Effective Yield	Surrender Charge Period (Yrs.)
Liberty Bankers Life	Bankers 1	1	1.00%	1.75%	0.00%	NA	1.75%	1
Protective Life	ProSaver Platinum	2	0.00	1.25	0.00	NA	1.25	2
Liberty Bankers Life	Bankers 3	3	1.00	2.75	0.00	NA	2.75	3
Presidential Life	Secure Series SPDA	4	2.00	2.85	0.00	NA	2.85	4
Liberty Bankers Life	Bankers Premier	5	1.00	4.00	0.00	NA	4.00	5
Standard Insurance	Focused Growth Ann.	6	1.10	3.70	0.00	NA	3.70	6
Genworth Life & Annuity	SecureLiving Rate Saver	7	1.10	4.00	0.00	NA	4.00	7
Protective Life	ProSaver Platinum	8	0.00	3.85	0.00	NA	3.85	7
Protective Life	ProSaver Platinum	9	0.00	4.05	0.00	NA	4.05	7
Protective Life	ProSaver Platinum	10	0.00	4.20	0.00	NA	4.20	7
Protective Life	ProSaver Platinum	15	0.00	4.30	0.00	NA	4.30	7

\*Certificate type contracts are products that have interest rate terms that equal or exceed the surrender charge period or that waive the surrender charge at the end of the selected rate term (window waiver).

\*\*Effective yield pro-rates the bonus rate equally over the surrender charge period.

Source: [www.annuitynexus.com](http://www.annuitynexus.com), Beacon Research, Evanston, IL

Average plunged nearly 1,000 points—a new intraday record—before recovering two-thirds of the loss. While it is unclear as of this writing how much of the dramatic decline was due to human error and/or programmed trading, it does appear that at least some of the sell-off was triggered by concern regarding the debt problems of Greece.

The fear is that these problems will spread to other European Union countries and halt the global upturn in its tracks. China is

tightening credit to rein in inflation, and many worry that this also could derail the global recovery. There are a number of other difficult issues as well, including commercial real estate defaults in the United States and their impact on banks.

Whatever the trigger, any sustained slide in equities prices will probably send still-nervous retail investors running for cover. At that point, 4 percent on a fixed annuity will start looking very good indeed.

**Fixed annuity sales also will be affected**

by increased regulation over the next several years. It's true that SEC oversight of indexed annuities has been postponed until at least 2013—and may never occur at all if the industry wins a legal or legislative victory. It's also true that the industry has dodged the fiduciary standard for the time being.

As it stands now, the commission-based compensation system continues and agents are required only to sell suitable fixed annuities. However, these victories are diminished by the NAIC's new annuity suitability model regulation. This regulation attempts to harmonize fixed and variable suitability standards and imposes ultimate responsibility on issuers. In addition, several states have made it a crime for an unregistered insurance agent to recommend or implement a transfer of funds from a security into a non-registered insurance product such as a fixed annuity.

Thus, increased regulation is already here and more is on the way. This will raise costs for issuers of fixed annuities and, therefore, either shave margins, reduce credited rates and commissions, or both. It's likely that some insurance companies will decide to get out of the fixed annuity business under these circumstances.

**But longer term, we continue to believe that fixed annuities have a bright future.** A portion of the public—especially the huge number of aging Baby Boomers—will continue to want conservative investments with guarantees. Some issuers may choose to downplay or exit the business, but others will find ways to take advantage of this demand. In this regard, some carriers are trying to implement a more life-stage—as opposed to product-focused—approach to marketing and sales. If financial advisors are convinced and trained how to use fixed annuities in this context, we think this is an approach with great promise.

#### Survey Definitions

Information has been provided on the 10 best-selling products during the 12 months ending September 30, 2008, in each of five distribution channels, defined as follows:

✓ **Independent Producers (IP).** Licensed insurance producers selling the

products of several carriers direct from the carrier or through one or more wholesalers (known as brokerage general agents, financial marketing organizations, independent marketing organizations or master general agents). Such wholesalers do not distribute securities, and a securities license is not required to contract with them.

✓ **Banks (B) and Savings and Loans (S&L).** Financial institutions, including credit unions, primarily identified as accepting demand deposits and making commercial and/or consumer loans, including home mortgages. The vast majority are regulated by the federal government as depository institutions. *This category also includes sales through distributors/wholesalers serving bank platforms.*

✓ **Captive Agents (CA).** Also known as “career agents,” these insurance agents primarily sell the products of a single insurance company in return for financial and other support from that company. These producers are not employees of the carrier, however. This category includes agents affiliated with companies like Allstate and New York Life.

✓ **Independent Broker/Dealers (IBD).** Securities Brokerage firms serving independent registered representatives/financial planners.

✓ **Stockbrokers.** Very large to medium-sized securities brokerage firms with their own registered reps. This category combines wirehouses (WH) and large/regional broker/dealer (LRBD) firms. Wirehouses are the five largest firms, all based in the New York area and each operating with thousands of producers, including Merrill Lynch, Morgan Stanley Smith Barney, UBS Wealth Management and Wachovia Securities. Large/regional firms like Legg Mason also operate with their own registered reps.

**Products are categorized by type, as follows:**

✓ **Income.** These products provide a series of payments, whether within 13 months of purchase (immediate/SPIA) or more than 13 months after purchase (delayed/longevity insurance). This category does not include structured settlements/lottery payouts.

✓ **Indexed.** These are fixed deferred annuities that credit based on the movement of an equity or bond index. They are considered fixed products because they guarantee a minimum credited rate and/or surrender value. Products in this category may or may not impose a market value adjustment (MVA) on withdrawals made during the surrender charge period. (If interest rates have risen since the contract was purchased, the MVA will reduce the amount withdrawn. If rates have declined, the MVA will increase the withdrawn amount.)

Both single and flexible premium products are included in this category. (Flexible premium products accept additional contributions during the surrender charge period.)

✓ **Traditional Non-MVA.** These are fixed deferred annuities that declare an initial credited rate, which may or may not renew during the surrender charge period and which do not impose an MVA on withdrawals made during the surrender charge period. Both single and flexible premium products are included in this category.

✓ **Traditional with MVA.** These fixed deferred annuities also declare an initial rate which may be in effect for the entire surrender charge period or renew one or more times during that period. However, these products do impose an MVA on withdrawals. Both single and flexible premium products are included in this category.

The Ten Best Selling Products chart (above) identifies additional distribution channels, if any, for each best-selling product. Wirehouses and large/regional broker/dealers are noted separately.

**More detailed information is provided for the top 20 independent channel products, including:**

✓ **Ratings.** Insurance company ratings by A.M. Best, Standard & Poors, Fitch (formerly Duff & Phelps) and Moody's are included. An “NR” symbol indicates that the company is not rated by that agency.

✓ **Indexed Annuity Crediting Strategies.** Summaries are provided regarding how the product measures change in the underlying index and credits interest based on that change. Multiple strategies, includ-

Ten Best Selling Products For Other Distribution Channels

Company Name	Product Name	Product Type	Other Channelst
<b>Banks and Savings and Loans</b>			
1 Pacific Life	Pacific Explorer	Traditional Non-MVA	IBD, LRBD, WH
2 Western National Life	Flex 5	Traditional Non-MVA	CA, LRBD
3 New York Life	Fixed Annuity	Traditional Non-MVA	LRBD
4 New York Life	Preferred Fixed Annuity	Traditional Non-MVA	CA, LRBD
5 AEGON/Transamerica Co's	Proprietary Bank Product 7	Traditional Non-MVA	None
6 Western National Life	Flex 7	Traditional Non-MVA	CA, LRBD
7 RiverSource Life, Ltd.	Quantum Select	Traditional Non-MVA	None
8 Lincoln Financial Group	Lincoln New Directions 6 & 8	Indexed	CA, IP, WH
9 Western & Southern Life	MultiRate Annuity	Traditional Non-MVA	None
10 New York Life	Select 5 Fixed Annuity	Traditional Non-MVA	CA, LRBD

**Independent Broker/Dealers**

1 Pacific Life	Pacific Explorer	Traditional Non-MVA	B, LRBD, WH
2 John Hancock	GPA Plus	Traditional Non-MVA	B, LRBD, WH
3 John Hancock	JH Spectrum	Traditional Non-MVA	B, LRBD, WH
4 MetLife Investors	Fixed Annuity FA (with MVA)	Traditional with MVA	B, LRBD, WH
5 American National Life	Palladium MYG	Traditional with MVA	B, CA, IP
6 MassMutual Financial Group	Odyssey Plus	Traditional Non-MVA	B, CA
7 MassMutual Financial Group	Odyssey	Traditional Non-MVA	B, CA
8 MetLife Investors	Fixed Annuity XG	Traditional Non-MVA	B, LRBD, WH
9 The Integrity Companies	SPDA Series II	Traditional Non-MVA	B, IP, LRBD
10 MetLife Investors	Fixed Annuity FA	Traditional Non-MVA	B, LRBD, WH

**Captive Agents**

1 RiverSource Life, Ltd.	Rate Bonus 1	Traditional Non-MVA	None
2 New York Life	Optimal Fixed Annuity	Traditional Non-MVA	B, LRBD
3 New York Life	Preferred Fixed Annuity	Traditional Non-MVA	B, LRBD
4 MetLife	Preference Flex Select	Traditional Non-MVA	None
5 Thrivent Financial for Lutherans	Security One	Traditional Non-MVA	None
6 AEGON/Transamerica Co's	Transamerica Select	Traditional Non-MVA	Other
7 MassMutual Financial Group	Odyssey Plus	Traditional Non-MVA	B, IBD
8 New York Life	Enhanced Fixed Annuity	Traditional Non-MVA	B, LRBD
9 MassMutual Financial Group	Odyssey	Traditional Non-MVA	B, IBD
10 New York Life	Select 5 Fixed Annuity	Traditional Non-MVA	B, LRBD

+Other Channels: B—Banks, CA—Captive Agents, IBD—Independent Broker/Dealers, IP—Independent Producers, LRBD—Large/Regional Broker/Dealers, WH—Wirehouses

ing fixed interest options, are identified where applicable.

✓ **Rate Term.** This is the number of years for which a credited rate is declared, and applies only to traditional deferred annuities. An "NA" indicates that the product

is not of this type.

✓ **Surrender Period/Schedule.** The number of years in which withdrawals are subject to surrender charges is noted, followed by the percentage of contract value that would be deducted in each contract year. (Most de-

ferred annuities permit limited withdrawals which are not subject to surrender charge.) Surrender periods do not apply to immediate annuities, as noted by an NA symbol.

✓ **Minimum and Maximum Contribution.** These are the smallest and largest

## Twenty Best Selling Products For Independent Producer Distribution

Ranking & Company Name	Financial Ratings**				Product Name	Product Type	Index Used	Indexed Annuity Crediting Strategies	Fixed Rate Term In Years	Surrender Period/Schedule	Minimum-Maximum Contribution	Minimum-Maximum Issue Age	Waiver of Surrender Charges*	States Available	Other Distribution Channels†
	A.M. Best	Standard & Poors	Fitch	Moody's											
1 Allianz Life of North America	A	AA	NR	A2	MasterDex X	Indexed	Blended, Euro STOXX 50, NASDAQ-100, S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Average Annual Reset with Spread, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	10 years/10, 10, 10, 8.75, 7.5, 6.25, 5, 3.75, 2.5, 1.25 (Most States)	\$20,000 - 1,000,000	0-80	Annuitization, Death,* Hospital,* Nursing Home*	All Except: CT, NV, NY, OR, WA	None
2 Aviva Life & Annuity	A	AA-	NR	A1	Income Preferred Bonus (formally Income Select Bonus)	Indexed	S&P 500	Fixed, 1 Year Monthly Cap, 1 Year Point-to-Point, 1 Year Average	1	10 years/12, 12, 12, 11, 10, 9, 8, 7, 6, 4	5,000-1,000,000	0-78	Nursing Home, Terminal Illness	All Except: CT, DE, HI, IN, MD, MN, MO, MS, MT, NJ, NV, NY, PA, SC, TX, UT, VA	None
3 Aviva Life & Annuity	A	AA-	NR	A1	MultiChoice Xtra (formerly MultiChoice IncomeXtra)	Indexed	S&P 500	Fixed, 1 Year Monthly Cap, 1 Year Point-to-Point, 1 Year Average	1	10 years/12, 12, 12, 11, 10, 9, 8, 7, 6, 4	5,000-1,000,000	0-78	Nursing Home, Terminal Illness	All Except: AK, HI, WA, OR, CA, UT, MT, MN, TX, MO, MS, IN, DE, NY, CT, PA, NJ, VA, SC	None
4 Aviva Life & Annuity	A	AA-	NR	A1	BPA Select 12	Indexed	S&P 500	Allocation A (72% Indexed), Allocation B (60% Indexed), Allocation C (50% Indexed), Allocation D (40% Indexed)	NA	12 years/13.5, 13, 12.5, 12, 11, 10, 9, 8, 7, 6, 5, 3	5,000-1,000,000	0-76	Terminal Illness, Nursing Home	CA, FL, HI, ND, NM, NV, SC, TX, VA, VT	None
5 American National Insurance Co.	A	AA-	NR	NR	Palladium MYG	Traditional with MVA	NA	NA	3 4 5 6 7 8 9 10	3 years/8, 8, 8 4 years/8, 8, 8, 7 5 years/8, 8, 8, 7, 6 6 years/8, 8, 8, 7, 6, 5 7 years/8, 8, 8, 7, 6, 5, 4 8 years/8, 8, 8, 7, 6, 5, 4, 3 9 years/8, 8, 8, 7, 6, 5, 4, 3, 2 10 years/8, 8, 8, 7, 6, 5, 4, 3, 2, 1	5,000-1,000,000	0-85	Annuitization, Death, Disability, Hospital, Nursing Home, Surrender Window	All Except: NY, UT	B, CA, IBD
6 ING USA Annuity and Life	A	A+	A-	A2	ING Guarantee Choice Annuity	Traditional with MVA	NA	NA	7 10	7 Years/9, 8, 7, 6, 5, 4, 3 9 years/9, 8, 7, 6, 5, 4, 3, 2, 1	15,000-1,000,000	0-80	Death, Hospital, Nursing Home, Surrender Window, Terminal Illness	All Except: NY	B, CA, IBD
7 ING USA Annuity and Life	A	A+	A-	A2	Secure Index Opportunities Plus	Indexed	S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	10 years/10, 10, 10, 10, 9, 8, 7, 6, 5, 4	15,000-1,000,000	0-80	Annuitization, Death, Hospital, Nursing Home	All Except: AK, CT, DE, MN, NY, OR, WA	B, CA, IBD
8 Allianz Life of North America	A	AA	NR	A2	MasterDex 5 Plus	Indexed	Blended, FTSE 100 Index, NASDAQ-100, S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Average with Cap Annual Reset, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	10 years/15, 15, 15, 15, 12, 10, 8, 6, 4, 2 (Most States)	15,000-1,000,000	0-80	Annuitization, Death,* Hospital,* Nursing Home*	All Except: NY, OR	None
9 Allianz Life of North America	A	AA	NR	A2	Endurance Plus	Indexed	Blended, FTSE 100 Index, NASDAQ-100, S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Average Annual Reset with Spread, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	10 years/10, 10, 10, 8.75, 7.5, 6.25, 5, 3.75, 2.5, 1.25 (Most States)	10,000-1,000,000	0-80	Annuitization, Death,* Hospital,* Nursing Home*	All Except: NY, OR, WA	None
10 Lincoln Financial Group	A+	AA-	A+	A2	Lincoln New Directions 6 & 8	Indexed	S&P 500	Annual Performance Triggered Annual Reset, Point-to-Point with Cap Biennial Reset, Fixed Rate	1	6 years/9, 8, 7, 6, 4.75, 3.5 8 years/9, 8, 7, 6, 4.75, 3.5, 2, 0.75	10,000-2,000,000	0-85	Annuitization, Death, Hospital, Nursing Home, Terminal Illness	All Except: MN, NY, OR	B, CA, WH

\* Indicates only partial waiver or annuitization requirement. Nursing home waiver may include hospital confinement. \*\* NR - Not Rated

† Other Channels: B - Banks, CA - Captive Agents, IBD - Independent Broker/Dealers, LRB - Large/Regional Broker/Dealers, WH - Wirehouses

## Twenty Best Selling Products For Independent Producer Distribution

Ranking & Company Name	Financial Ratings**				Product Name	Product Type	Index Used	Indexed Annuity Crediting Strategies	Fixed Rate Term In Years	Surrender Period/Schedule	Minimum-Maximum Contribution	Minimum-Maximum Issue Age	Waiver of Surrender Charges	States Available	Other Distribution Channels†
	A.M. Best	Standard & Poors	Fitch	Moody's											
11 Allianz Life of North America	A	AA	NR	A2	Endurance 15	Indexed	Blended, FTSE 100 Index, NASDAQ-100, S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Average with Cap Annual Reset, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	10 years/10, 10, 10, 9.75, 7.5, 6.25, 5, 3.75, 2.5, 1.25 (MN) 10 years/10, 9, 8, 7, 6, 5, 4, 3, 2, 1 (Other States)	\$10,000-10,000,000	0-80	Annuitization, Death,* Hospital,* Nursing Home*	Only In: CA, MN, NJ, PA, TX, UT	None
12 Allianz Life of North America	A	AA	NR	A2	MasterDex 10 Plus	Indexed	Blended, FTSE 100 Index, NASDAQ-100, S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Average with Cap Annual Reset, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	No Surrender Charges If Payout Occurs Over Specified Schedule	15,000-1,000,000	0-80	Annuitization, Death,* Hospital,* Nursing Home*	All Except: CA, CT, NY, OR, PA, UT, WA	None
13 Sun Life Financial	A+	AA	NR	Aa3	Keyport Index MultiPoint	Indexed	S&P 500	Monthly Average with Cap Annual Reset High Watermark, Monthly Average 5 Year Reset High Watermark, Monthly Average 7 Year Reset High Watermark, Monthly Average 10 Year Reset High Watermark	NA	N/A (Vesting Schedule)	10,000-10,000,000	0-85 (75 Qualified)	Death	All Except: MO, NY, OK, OR, UT, WA	B, WH
14 Aviva Life & Annuity	A	AA-	NR	A1	MultiChoice Advantage (formerly MultiChoice Income Plus)	Indexed	S&P 500	Year 1: Fixed Year 2: Fixed, 1 Year Monthly Cap, 1 Year Point-to-Point, 1 Year Average	1	10 years/16, 15, 14, 13, 12, 11, 10, 8, 6, 4	5,000-1,000,000	0-78	Nursing Home, Terminal Illness	All Except: CT, DE, HI, IN, MN, MO, MS, MT, NJ, NM, NY, OR, PA, SC, TX, UT, VA	None
15 Lincoln Financial Group	A+	AA-	A+	A2	Lincoln Classic 5 & 7	Traditional with MVA	NA	NA	5 7	5 years/9, 8, 7, 6, 5 7 years/9, 8, 7, 6, 5, 4, 3	10,000-2,000,000	0-85	Annuitization, Death, Hospital, Nursing Home, Terminal Illness	All Except: MN	B, CA, WH
16 ING USA Annuity and Life	A	A+	A-	A2	Secure Index Five	Indexed	S&P 500	Annual Point-to-Point with Cap Annual Reset, Monthly Point-to-Point with Cap Annual Reset, Fixed Rate	1	5 years/8, 7.5, 6.5, 5.5, 4.5	15,000-1,000,000	0-80	Annuitization, Death, Hospital, Nursing Home	All Except: NY, OR	B, CA, IBD
17 Aviva Life & Annuity	A	AA-	NR	A1	BPA Select 10	Indexed	S&P 500	Allocation A (72% Indexed), Allocation B (60% Indexed), Allocation C (50% Indexed)		10 years/ 12,12, 11, 10, 9, 8, 7, 6, 5, 3 (Some State Specifics)	5,000-1,000,000	0-78	Nursing Home, Terminal Illness	CA, CT, DE, FL, HI, MN, ND, NM, NV, PA, SC, TX, VA, VT	None
18 RBC Insurance - Liberty Life	A	NR	A+	NR	Enhanced Choice 12	Indexed	S&P 500, Dow Jones Industrial Average	Monthly Average with Cap Annual Reset, Quarterly Point-to-Point with Cap Annual Reset, Monthly Point-to-Point with Cap Annual Reset, Annual Point-to-Point with Cap Annual Reset, Fixed Rate	8	12 years/14,13,12,11,10,9,8, 7,6,5,4,3	5,000-1,000,000	0-85 (80 Qualified)	Annuitization, Death, Nursing Home, Terminal Illness	All Except: CT, DE, MN, NJ, OK, OR, PA, UT, WA	CA, IBD
19 Lincoln Financial Group	A+	AA-	A+	A2	Lincoln OptiPoint 8, 10 & 12	Indexed	S&P 500	Annual Performance Triggered Annual Reset, Point-to-Point with Cap Biennial Reset, Monthly Point-to-Point with Cap Biennial Reset, Fixed Rate	1	8 years/ 9, 8, 7, 6, 5, 4, 3, 2 10 years/10, 9, 8, 7, 6, 5, 4, 3, 2, 1 12 years/12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1	5,000 (2,000 Qualified)-2,000,000	0-85	Annuitization, Death, Hospital, Nursing Home, Terminal Illness	All Except: MN, NY, OR, UT	B, CA, WH
20 Allianz Life of North America	A	AA	NR	A2	MasterDex 10	Indexed	NASDAQ-100, S&P 500	Monthly Point-to-Point with Cap Annual Reset	1	No Surrender Charges If Payout Occurs Over Specified Schedule	5,000 (2,000 Qualified)-1,000,000	0-85	Annuitization, Death,* Hospital,* Nursing Home*	Only In: CA, CT, PA	None

\* Indicates only partial waiver or annuitization requirement. Nursing home waiver may include hospital confinement. \*\* NR - Not Rated

† Other Channels: B - Banks, CA - Captive Agents, IBD - Independent Broker/Dealers, LRB - Large/Regional Broker/Dealers, WH - Wirehouses

initial contribution (or premium) amounts accepted without home office approval.

✓ **Minimum and Maximum Issue Ages.** These are the youngest and oldest acceptable ages (without home office approval) for the annuity owner and/or annuitant at the time the policy is issued. Where different, minimum and maximum issue ages for owner and annuitant or qualified versus non-qualified purchases are noted separately.

✓ **Waivers of Surrender Charges.** Under certain circumstances, some fixed deferred annuities waive surrender charges when an owner accesses all or part of the contract's accumulated value. (As noted, waivers as such apply only to deferred annuities, not immediates.)

Such circumstances may include various financial emergencies and the choice to annuitize the contract (convert it to a series of payments). These features are called waivers and include: annuitization, death (of the owner, the annuitant or both, as specified by the contract), hospital or nursing home confinement, terminal illness (often defined as life expectancy of 12 months or less), and unemployment.

Also included are surrender window waivers, which provide a "window" (usually two to four weeks) just before the surrender charge period in which the contract can be liquidated without a surrender charge.

✓ **Availability by State.** Like other insurance products, fixed annuities are

approved for sale on a state-by-state basis. States in which the product is not available are noted.

*Please note that the data and other information provided is offered solely for informational purposes and does not constitute investment advice. It has been obtained from documents and reports provided by insurance companies, financial reporting services and other sources believed by Beacon Research to be reliable. However, Beacon makes no representations, warranties or guarantees with respect to the accuracy, validity or completeness of such data or other information. The information provided regarding company ratings, distribution channels and product features are subject to change, and changes may have occurred between the time of data compilation and publication. 🌐*