

BEACON'S *FIXED ANNUITY PREMIUM STUDY* REPORTS FIRST QUARTER'S FIXED ANNUITY SALES

New York Life reclaims sales leadership

Evanston, IL, May 26, 2010—U.S. sales of fixed annuities were an estimated \$16.7 billion in first quarter 2010, according to data from the Beacon Research *Fixed Annuity Premium Study*.¹ Sales were down 15% from fourth quarter 2009. Compared to the record-setting first quarter of 2009, results fell 52%.

By product type, estimated sales in first quarter 2010 were: book value² - \$6.8 billion; indexed - \$6.7 billion; fixed income³ - \$1.8 billion, and; market value-adjusted² (MVA) - \$1.3 billion. Results for all four product types were behind both the prior and year-ago quarters. Relative to the previous quarter, MVA and book value annuities dropped 25% and 24%, respectively. Income annuities were down 7%. Indexed annuity sales fell 2%. Year-ago results hit a record driven by book value sales, due to a flight to safety combined with a strong fixed annuity rate advantage. Compared to first quarter 2009, book value annuity sales were 64% lower. MVAs were down 80%. Income and indexed annuities declined 6% and 5%, respectively.

Book value annuities remained the dominant product type in first quarter 2010, but their 41% share was the lowest since third quarter 2007. The indexed annuity share of sales hit a 12-quarter high of 40%.

New York Life reclaimed sales leadership from Western National, which dropped to fourth place. Allianz moved to second from third place. Aviva jumped two notches to come in third. First quarter results for the top five Study participants were as follows:

	<u>Total Fixed Annuity Sales (in thousands)</u>
New York Life	1,726,979
Allianz Life ⁴	1,465,117
Aviva USA ⁵	1,172,752
Western National Life (NYSE: AIG)	1,171,052
American Equity Investment Life Insurance Co. (NYSE: AEL)	846,830

By product type, New York Life also led in book value sales, replacing Western National, and remained the dominant issuer of fixed income products. Allianz was again number one in indexed annuities. Hartford replaced American National as MVA sales leader.

The Allianz MasterDex X, an indexed annuity, was again the quarter's best-selling product. The New York Life Preferred Fixed Annuity took second place and was the only book value product in the top five. It was followed by two indexed products: American Equity's Retirement Gold and Aviva USA's BPA Select 12. The New York Life Lifetime Income Annuity came in fifth. First quarter results include sales of some 425 products.

<u>Rank</u>	<u>Company Name</u>	<u>Product Name</u>	<u>Product Type</u>
1	Allianz Life	MasterDex X	Indexed
2	New York Life	NYL Preferred Fixed Annuity	Book Value
3	American Equity	Retirement Gold	Indexed
4	Aviva USA	BPA Select 12	Indexed
5	New York Life	NYL Lifetime Income Annuity	Income

¹ Sales figures do not include structured settlements or employer-sponsored retirement plans.

² Book value fixed annuities pay a declared rate of interest for a specified period. A market value adjustment (MVA) is not imposed if the holder withdraws assets before the end of the contract term. MVA products also pay a declared rate of interest for a specified period, and do impose such an adjustment.

³ Includes both immediate and deferred income annuities.

⁴ Allianz Life Insurance Company of North America is a subsidiary of Allianz AG (NYSE: AZ).

⁵ Aviva USA is a subsidiary of Aviva plc (LSE: AV).

Three of these annuities also led distribution channel sales. MasterDex X was again the top independent producer product. The New York Life Preferred Fixed Annuity was the new bestseller in banks. Among captive agents, the New York Life Lifetime Income Annuity took top honors. There were new leading products in the remaining channels, as follows:

<u>Channel</u>	<u>Company</u>	<u>Product</u>	<u>Product Type</u>
Banks and S&Ls	New York Life	NYL Preferred Fixed Annuity	Book Value
Captive Agents	New York Life	NYL Lifetime Income Annuity	Income
Independent Broker-Dealers	MassMutual	RetireEase	Income
Independent Producers	Allianz Life	MasterDex X	Indexed
Large/Regional Broker-Dealers	New York Life	NYL Fixed Annuity	Book Value
Wirehouses	John Hancock	JH Managed FA	Income

Credited rates increased slightly from fourth quarter, but their rate advantage was narrower relative to the conservative alternatives. Top multi-year credited rates were in the 4% range on interest guarantee periods (IGPs) of seven years or more. Rates at or above the threshold 5% level were available only for the first year of some multi-year and renewal rate products. Book value annuity sales moved to shorter IGPs, apparently because buyers expected rates to rise and did not want to lock in the quarter's low credited rates for long periods. MVA sales shifted from the middle to both shorter and longer IGPs.

"It is difficult to predict the near-term direction of fixed annuity sales, said Jeremy Alexander, CEO of Beacon Research. "Fixed annuity rates are down, which typically dampens sales. But the spread of corporate bond yields over Treasury rates has widened. This generally provides fixed annuities with a rate advantage that boosts results. Sales also may benefit from recent stock market volatility and the flight to safety. Long term, we continue to expect growth for fixed annuities due to rising demand from Baby Boomers nearing and entering retirement."

About the Beacon Research Fixed Annuity Premium Study

The quarterly Study is the first and only source to track and analyze product-level fixed annuity sales on an ongoing basis. Providing timely market intelligence of the highest quality, it's designed to report what's moving in each channel and *why*.

About Beacon Research

Beacon Research tracks fixed, indexed and variable annuity sales, rates and features, and provides web-based systems at www.annuitynexus.com for distributors and insurance companies. Beacon also licenses information and software tools to other platforms, including EbixExchange's AnnuityNet annuity automation platform. Beacon's fixed annuity benchmark series -- the industry's first - is available through Ibbotson Associates. Directly and through strategic alliances, Beacon information can be accessed by hundreds of financial institutions and distributors.

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