

# Fixed Annuity Sales Weakened in Third Quarter: Beacon Research

By Editorial Staff *Tue, Nov 24, 2009*

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U.S. sales of fixed annuities were an estimated \$21.9 billion in the third quarter 2009 according to new data from the Beacon Research Fixed Annuity Premium Study.

Quarterly sales were down 21% compared to both third quarter 2008 and the prior quarter. On a year-to-date basis, total market sales were an estimated \$84.5 billion, 16% above the first three quarters of 2008.

Indexed annuity results were 6% ahead of the year-ago quarter. Sales of the other product types declined year over year. Market-Value Adjusted (MVA) products were down 37%, book value annuities fell 30%, and income annuities dropped 16%.

"Sales didn't fall in third quarter due to lower demand for fixed annuities," said Jeremy Alexander, CEO of Beacon Research. "The public remained in a conservative mood. The success of Pacific Explorer shows how well a product with competitive credited and minimum guaranteed rates could do. But we don't expect to see growth in sales until rates begin rising and it becomes more profitable for companies to issue fixed annuities sometime next year."

Compared to the second quarter of 2009, estimated sales were lower for all product types. Sales of book value products were down 28%; MVA, down 25%; indexed, down 11%; income, down 10%. The indexed annuity share of sales rose to a seven-quarter high of 34%, but book value annuities remained the dominant product type with a 45% share.

Estimated sales by product type for the third quarter and year-to-date were:

- Book value: \$9.9 billion/\$43.0 billion
- Indexed: \$7.3 billion/\$22.6 billion
- Market-value adjusted: \$2.7 billion/\$12.8 billion
- Fixed income: \$1.9 billion/\$6.0 billion.

Relative to the first three quarters of 2008, there was double-digit growth in all product types except fixed income. MVAs were 25% ahead, book value products were up 18%, and indexed annuities advanced 16%. Fixed income sales fell 3%.

New York Life remained the sales leader in the third quarter. Allianz advanced from third to second place. Pacific Life, a top 10 performer for the first time, came in third. It was followed by ING, which rejoined the top 10 in fourth place. Lincoln Financial jumped three spots to fifth.

Credited rates continued to decline in third quarter. Except on renewal rate annuities with short rate terms, rates at the threshold 5% level were rare. Most renewal rate annuities are book value products, so it's not surprising that their sales continued moving to shorter initial interest guarantee periods.

MVA annuities went short as well, reversing last quarter's trend. Most MVAs are non-renewal rate products, and it's likely that annuity buyers were unwilling to lock in the quarter's very low rates for more than a few years.

New York Life continued to dominate fixed income annuity sales, but Pacific Life replaced it as the leading issuer of book value annuities. Allianz was number one in indexed annuities, replacing Aviva USA. ING USA replaced American National to become the new MVA sales leader.

Pacific Life took top product honors for the first time with Pacific Explorer (a book value product). The Allianz MasterDex X, an indexed annuity, remained in second place. Another indexed product, Lincoln Financial's New Directions, came in third, followed by ING's Guarantee Choice (an MVA). Jackson National's Ascender Plus Select (an indexed product) took fifth place. Beacon's third quarter results include sales of some 400 products, excluding immediate annuities.