

Fixed annuity sales slid in '09

By Darla Mercado

February 17, 2010

Fixed annuity sales slid in the fourth quarter of 2009 — and dropped off slightly for the full year.

All told, fixed annuity sales last year topped \$105 billion, according to data from Beacon Research Publications Inc. and the Insured Retirement Institute. That tally is just 2% below the record high reported in 2008.

For the final quarter of 2009, fixed annuity sales totaled \$20.4 billion, down 8% from the previous quarter.

Indexed annuity products fared well, with \$30.2 billion in sales. That's up \$3.5 billion year-over-year. Fourth-quarter sales of indexed annuities were up 3.2% over the previous quarter, for a total of \$7.6 billion.

There were declines in other categories of fixed annuities. Book value annuities fell to \$8.99 billion in the fourth quarter, down from \$17.1 billion in the comparable quarter in 2008. Market-value-adjusted annuities fell to \$1.86 billion from \$7.45 billion in the same period. Meanwhile, income annuities fell to \$1.92 billion in the fourth quarter of 2009, from \$2.36 billion in the year-ago period.

Annuity sales in the bank channel also experienced declines for the last two months of the year, according to data from the Kehrer-LIMRA Monthly Bank Annuity Sales Survey.

Bank sales of fixed and variable annuities fell to \$2.7 billion in November, down 23% compared to October and down 37% compared to the year ago period. The sales picked up slightly in December, rising to \$2.8 billion.

Fixed annuity sales through banks in November fell to \$1.7 billion, down by 47% from the year-ago period. At the end of the year, fixed annuity sales in banks fell to \$1.6 billion.

Variable annuities, however, haven't really picked up the slack. Banks' sales of variable annuities hit \$1 billion in September, slightly below the \$1.1 billion level they've hit each month from March through December. Sales climbed by 20% to \$1.2 billion in December.

Dismal interest rates slowed fixed annuity sales, while higher fees and decreased benefits dragged down variable annuity sales, noted Scott Stathis, managing director of Kehrer-LIMRA.

The spread between the yield on five-year certificates of deposit and the average effective yield for five-year fixed annuities was 24 basis points in December, according to Kehrler-LIMRA's Bank Fixed Annuity RateWatch. That's down from 111 basis points in December 2008.

Mutual fund sales, which typically aren't as profitable to banks as annuities, fared well. Bank mutual fund sales hit \$4.4 billion in November, up from \$2 billion low November of 2008. Sales continued to rise to \$5.1 billion in December, reaching heights unseen since June 2007, according to Kehrler-LIMRA.