



Carrier Review: Top Annuity Sellers Look to Focus on Guarantees

Market data show what many suspected about 2009: It was a crazy year.

A more specific diagnosis would say it was a split personality year. Some companies struggled with offering a decent product while maintaining guarantees and reserves. Others saw great opportunity to grab more market share.

The most dramatic changes in the rank of carrier sales occurred in the variable annuity (VA) market, which overall lost significant ground over 2008 and into 2009. Total sales were \$155.6 billion in 2008 and \$127 billion in 2009, an 18.4 percent drop, according to LIMRA data. Sales stabilized throughout most of 2009.

Carriers that lost VA business in many cases were preserving themselves. The Hartford, for example, had well-publicized difficulties shoring up reserves, eventually taking a \$3.4 billion injection from the federal Troubled Asset Relief Program. The company is still working on righting itself amid concerns the insurer is having trouble repaying the TARP funds without diluting current investors. The carrier's weakness was attributed to an overextension in VAs. Over the year, The Hartford reduced VA sales from \$7.9 billion in 2008, or No. 9 on the LIMRA list, down to \$2.7 billion in 2009, bringing it to No. 15. The carrier also cut fixed annuity sales, from \$2.8 billion in 2008 to \$1.7 billion in 2009, down from No. 10 to No. 20.

Lincoln Financial, the only other insurer to take TARP money (besides AIG), is dialing down VA sales while increasing fixed annuity volume. Lincoln ended 2008 with \$11.1 billion in VA sales, at No. 5, and ended 2009 with \$7.9 billion,

but still No. 5, according to LIMRA. It boosted fixed sales, up from \$2.4 billion in 2008, No. 10, to \$4.2 billion, No. 7.

The biggest surprise in the VA world was Prudential, which leapt from sixth place, with \$10.2 billion in 2008 sales, up to first, with \$16.1 billion in 2009. The carrier was one of several that increased their appetite because they had the capitalization to absorb the business that others were shedding.

But Prudential said it had something else going for it, an innovative product that proved its worth during the financial crash. The carrier's highest daily (HD) living benefit guarantees include

an automatic rebalancing feature to protect assets and support the company's guarantees.

"That dynamic asset allocation program protected clients' account values by moving them systematically out of equity investments into investment grade bonds," said Jac Herschler, vice president of business strategy for Prudential Annuities.

But even Prudential had to adjust its product to protect itself. Last August, the carrier started to phase out the HD 7 Plus and transition to a new HD 6 Plus by the end of the year. Prudential still found the demand was strong by December.

Expect some interesting innovation

2008		2009	
TOTAL ANNUITIES		TOTAL ANNUITIES	
1. MetLife	19,994,688	1. MetLife	22,368,911
2. AIG	19,243,240	2. Prudential Annuities	17,346,660
3. ING	16,187,439	3. TIAA-CREF	13,919,772
4. TIAA-CREF	14,430,561	4. Jackson National Life	13,860,798
5. Lincoln Financial Group	13,548,427	5. AIG	12,514,767
VARIABLE ANNUITIES		VARIABLE ANNUITIES	
1. TIAA-CREF	14,430,561	1. Prudential Annuities	16,110,859
2. MetLife	13,948,818	2. MetLife	15,398,862
3. ING	13,842,491	3. TIAA-CREF	13,919,772
4. AXA Equitable	13,376,610	4. Jackson National Life	10,002,078
5. Lincoln Financial Group	11,129,539	5. Lincoln Financial Group	7,960,939
FIXED ANNUITIES		FIXED ANNUITIES	
1. AIG	11,020,788	1. New York Life	10,329,219
2. New York Life	9,051,237	2. AIG	7,761,776
3. AVIVA	7,851,230	3. MetLife	6,970,049
4. MetLife	6,045,870	4. Allianz Life	5,988,708
5. AEGON USA	5,763,063	5. AVIVA	5,767,452

Source: U.S. Individual Annuities, LIMRA

