



Insured Retirement Institute

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IRI EXCLUSIVE: Total Second Quarter Annuity Sales Post Record Highs

*Variable Annuity Sales Expand at Greatest Pace since 2007;
Indexed and Income Products Net Record Sales*

WASHINGTON, D.C. – The Insured Retirement Institute (IRI) today announced second quarter results for the U.S. annuity industry. Launched this year, IRI exclusively unites highly trusted and sought-after data from Morningstar, Inc. and Beacon Research, offering a one-of-a-kind, industry-wide overview on the state of both variable annuity and fixed annuity sales.

Annuity sales in the second quarter resulted in the strengthening of several key annuity industry indicators. Variable annuity sales posted record highs, with year-to-year sales advancing at the greatest pace since 2007. Estimated sales of both indexed and income annuities were the strongest since the Beacon study began in 2003, demonstrating the increased demand for these products.

“The second quarter data clearly demonstrates that the state of the annuity industry is strong,” IRI President and CEO Cathy Weatherford said. “Of note, expansion is occurring not only across the variable side, but also within indexed and income solutions. Yet, fluctuations in the sales of specific annuity products come as little surprise as investors continue to reexamine their portfolios, making adjustments to meet both their immediate and long-term financial needs. The diversity and innovation found throughout the insured retirement industry uniquely allows consumers to identify and invest in strategies that best suit their individual needs. The movement and growth within this sales data underscores that unique flexibility investors have – and now demand – in securing their financial future.”

Annuity sales for the first quarter were \$53.8 billion, up from \$47.4 billion in the previous quarter, representing a 13.5% increase. Year-to-year quarterly sales of annuities were down 9.8%, declining from \$59.6 billion in the second quarter of 2009.

Fixed annuity sales for the second quarter were \$19.4 billion, up from \$16.5 billion in the previous quarter, representing a 17.7% increase. Year-to-year quarterly sales of fixed annuities were down 30.2%, declining from \$27.8 billion in the second quarter of 2009.



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“Sales of fixed annuities improved quarter-to-quarter for several reasons. Although rates were falling, the spread between Treasury and corporate bond yields widened. This enabled fixed annuities to offer competitive credit rates. In addition, buyers apparently got tired of waiting for rates to rise,” Beacon Research President and CEO Jeremy Alexander said. “Those reluctant to lock in the quarter’s low rates purchased indexed annuities, which offered upside potential, downside protection and attractive guaranteed lifetime income.”

Fixed Table 1. Quarterly Fixed Annuity Sales By Product Type

(\$ Millions)	Quarter Ended				
	6/30/10	3/31/10	12/31/09	9/30/09	6/30/09
Total Sales (Rounded)	19,410	16,490	19,620	22,140	27,810
Book Value	7,239	6,855	9,008	9,940	13,862
Market Value Adjusted	1,547	1,198	1,764	2,907	3,563
Indexed	8,249	6,612	6,880	7,349	8,215
Income	2,375	1,817	1,967	1,942	2,167

Source: Beacon Research

Fixed Table 2. Quarterly Market Share By Product Type

(As a percent of total sales)	6/30/10
Book Value	37.3
Market Value Adjusted	8.0
Indexed	42.5
Immediate	12.2

Source: Beacon Research

Variable annuity sales for the first quarter were \$34.4 billion, up 9% from \$31.6 billion in the previous quarter. Year-to-year quarterly sales of variable annuities were up, posting an 8.2% increase from second quarter 2009 sales of \$31.8 billion. Second quarter 2010 net sales were \$6.2 billion. There were \$23.6 billion in qualified sales and \$10.7 billion in non-qualified in the second quarter.



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“Variable Annuity sales reached their highest quarterly level since the 3rd Quarter of 2008, indicating that Advisors are continuing to view the product as profitable for their business and still see the potential for growth and security of the guaranteed benefits as suitable for their client’s needs,” said Morningstar VA Data Operations Manager Marco Chmura. “While products may be offering less lucrative benefits than in the past, investors are still attracted to the idea of creating a floor against losses.”

Variable Table 1. Variable Annuity Net Assets

(Dollars in Millions)	6/30/10	3/31/10	12/31/09	9/30/09
Total Net Assets	1,318,911	1,397,493	1,353,957	1,311,387

Source: Morningstar, Inc

Variable Table 2. Variable Annuity Premium Sales¹

(Dollars in Millions)	6/30/10	3/31/10	12/31/09	9/30/09
Total Sales	34,381	31,621	31,889	31,015
Net Sales	6,222	3,551	2,905	2,844

Source: Morningstar, Inc.

¹Total Premium Sales, also called Total Premium Flows, represents the sum of new sales [all first-time buyers of a contract, including inter- and intra-company exchanges] and additional premiums from existing contract owners. Net Sales, also called Net Flows, represents Total Premium Sales minus surrenders, withdrawals, inter- and intra-company exchanges, and benefit payments

Variable Table 3. Quarterly Variable Annuity Total Premium & Net Sales

(\$ Millions)	Quarter Ended				
	6/30/10	3/31/10	12/31/09	9/30/09	6/30/09
Total Sales	34,381	31,621	31,889	31,015	31,765
Net Sales	6,222	3,551	2,905	2,844	6,137
Net Sales as % of total sales	18.1%	11.2%	9.1%	9.2%	19.3%

Source: Morningstar, Inc.

Variable Table 4. Variable Annuity Assets by Asset Class

(As a percent of total assets)	6/30/10
Equity	42.9
Fixed Accounts	22.4
Allocation	19.2
Bonds	12.4
Money Market	3.0



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Source: Morningstar, Inc.

About the Insured Retirement Institute: The Insured Retirement Institute (IRI) is a not-for-profit organization and is the authoritative source of all things pertaining to annuities, insured retirement strategies and retirement planning. IRI exists to vigorously promote consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors and consumers under one umbrella. IRI's mission is to: encourage industry adherence to highest ethical principles; promote better understanding of the insured retirement value proposition; develop and promote best practice standards to improve value delivery; and to advocate before public policy makers on critical issues affecting insured retirement strategies. Visit www.IRIONline.org to experience the new, vast resources of the new Insured Retirement Institute for yourself.

About Beacon Research: Beacon Research is an independent research company and application service provider founded in 1997 and based in Evanston, IL. Beacon tracks fixed and variable annuity features, rates and sales. Its quarterly *Fixed Annuity Premium Study* is the first and only source to analyze fixed annuity sales at the product level. Beacon lowers compliance risk and increases fixed annuity sales with 100% carrier-approved, comprehensive product profiles, spreadsheets and search tools for the advisor/rep websites of banks, TPMs, broker-dealers and marketing organizations. Financial institutions use its systems at www.annuitynexus.com for compliance review of 1035 exchanges, sales support, conservation and product research. Beacon also licenses information to other platforms, including Insurance Technologies' VisibleChoice™ annuity sales platform, Ebix, Lipper, and Ibbotson Associates. Directly and through strategic alliances, Beacon information can be accessed by hundreds of financial institutions and thousands of advisors.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of Internet, software, and print-based products and services for individuals, financial advisors, and institutions. Morningstar provides data on approximately 350,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 4 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. The company has operations in 20 countries and minority ownership positions in companies based in two other countries.

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