

Career agents emerged as the leading distribution channel with year-to-date total annuity sales of \$26.3 billion. This distribution channel improved market share by 9% over 2008 and almost doubled its fixed annuity sales.

The top distribution channel for VAs remains the financial planner/independent broker-dealers, despite an 18% decline from 2008. Banks were the top fixed annuity distribution channel.

Deferred annuity assets increased across all product types in first half 2009, rising 6.4% to total \$1.8 trillion. Both variable and indexed annuity sales experienced positive net flows while book value and MVA outflows matched the inflows.

The positive net flows were aided by a sharp decline in surrender rates in first half 2009. The year-to-date total annualized surrender rates (cash value)

declined to 6.1%, compared to 7% in first half 2008. Annualized surrender rates fell for both VA and fixed annuities, as well as across most distribution channels when comparing first half 2009 to first half of 2008.

The drop in surrender activity reflected the low interest rate environment as well as the ever-growing proportion of VAs with guaranteed benefits (death or living) that were "in the money." ■

## FA Sales Fall In 2Q But Still Up Over Last Year: Beacon

BY LINDA KOCO

**F**IXED ANNUITY SALES dropped 20% in second quarter 2009 from the previous quarter but they were 10% higher than in second quarter 2008, says a new study.

FA sales reached an estimated \$27.8 billion in second quarter 2009, says Beacon Research, Evanston, Ill. in its new *Fixed Annuity Premium Study*.

The second quarter 2009 study covers sales of 53 insurance companies in the U.S. The companies represent an estimated 86% of the FA market, according to Beacon.

On a year-to-date basis, total market sales were an estimated \$62.6 billion in 2009, 39% above first-half 2008, according to the study.

By annuity type, the study says that estimated second quarter 2009 sales were: book value, \$14 billion; indexed, \$8.2 billion; market value-adjusted (MVA), \$3.5 billion; and fixed income (immediate and deferred annuities), \$2.2 billion. (Book value products pay a declared rate of interest for a specified period and do not apply market value adjustments upon early withdrawals.)

The report compares estimated FA sales to previous periods and prod-

ucts, as follows:

*Compared to the previous quarter:* Indexed annuity sales were up 16% and income annuity sales were up 12% in second quarter 2009, while MVA annuity sales dropped 47% quarter to quarter, and book value annuities fell 27%.

*Compared to second quarter 2008:* Indexed annuity sales rose 20% in second quarter 2009; book value and fixed income annuities rose 10% and 2%, respectively; but MVA annuity sales fell 5%.

*Compared to first half 2008:* MVA sales were up 68% in the first half of 2009; book value annuities, up 48%; indexed annuities, up 22%; and fixed income sales, up 4%. (Note: by dollars, first-half 2009 sales were: book value annuities, \$33.2 billion; indexed annuities, \$15.3 billion; MVA annuities, \$10 billion, and fixed income annuities, \$4.1 billion.)

Beacon observes that indexed annuities took a 30% share of sales in second quarter 2009, reversing a five-quarter decline. But these sales are still below 2007 levels, the researchers say.

Also, credited rates on fixed annuities were low, and they declined somewhat during the second quarter, according to Beacon. "It was increasingly difficult to find annuities crediting at the threshold 5% level," the researchers say.

As for sales leaders, New York Life advanced to first from second place to reclaim sales leadership from MetLife, says Beacon. Aviva USA took second place, and Allianz third. AEGON/Transamerica came in fourth, and American Equity, fifth. ■

■ SECOND QUARTER 2009		
TOP 10 FIXED ANNUITY SELLERS (in thousands)		
1	New York Life	\$2,849,846
2	Aviva USA	1,667,440
3	Allianz Life	1,546,725
4	AEGON/ Transamerica Companies	1,261,488
5	American Equity Investment Life Ins. Co.	1,144,495
6	RiverSource Life	1,001,809
7	MetLife	950,839
8	Lincoln Financial Group	893,194
9	Jackson National Life	852,438
10	Western National Life (formerly AIG Annuity)	852,298

\* Sales figures do not include structured settlements, says Beacon.  
Source: Fixed Annuity Premium Study, second quarter 2009,  
by Beacon Research, Evanston, Ill.