

**BEACON'S FIXED ANNUITY PREMIUM STUDY REPORTS FOURTH QUARTER'S FIXED ANNUITY SALES**

**Evanston, IL, March 2, 2010**—U.S. sales of fixed annuities were an estimated \$19.6 billion in fourth quarter 2009, according to data from the Beacon Research *Fixed Annuity Premium Study*.<sup>1</sup> Quarterly sales were down 43% and 11% compared to fourth quarter 2008 and third quarter 2009, respectively. In calendar year 2009, total market sales were an estimated \$104.3 billion, 2% below 2008.

By product type, estimated sales in fourth quarter 2009 were: book value<sup>2</sup> - \$9.0 billion; indexed - \$6.9 billion; market value-adjusted (MVA) - \$1.8 billion, and; fixed income<sup>3</sup> - \$2.0 billion. Results were behind the near-record levels of fourth quarter 2008. MVAs dropped 76%, book value annuities fell 47%, income annuities fell 17%, and indexed annuities declined 4%. Sequentially, income annuities posted a small 1% increase. Estimated sales shrank for the other product types: MVA, -39%; book value, -9%, and; indexed -6%. The indexed share of sales rose to an eight-quarter high of 35%, but book value annuities remained the dominant product type with a 46% share.

Estimated product type sales in 2009 were: book value - \$52.0 billion; indexed - \$29.5 billion; MVA - \$14.8 billion, and fixed income - \$8.0 billion. Compared to 2008, indexed annuity results advanced 11%. MVAs were 16% behind. Income annuities fell 7%, and book value products dropped 3%.

Western National vaulted from sixth place to become fourth quarter's sales leader, bumping New York Life to second place. Allianz dropped down a notch to come in third. Fourth quarter results for nine of the top 10 Study participants were as follows:

	<u>Total Fixed Annuity Sales (in thousands)</u>
Western National Life (NYSE: AIG)	1,961,481
New York Life	1,759,561
Allianz Life <sup>4</sup>	1,580,424
American Equity Investment Life Insurance Co. (NYSE: AEL)	899,918
Aviva USA <sup>5</sup>	888,614
Pacific Life	855,178
ING USA Annuity and Life Insurance Co. (NYSE: ING)	679,241
AEGON/Transamerica Companies (NYSE: AEG US)	616,323
MetLife (NYSE: MET)	491,187

By product type, Western National also led in book value sales, replacing Pacific Life. American National took top MVA sales honors from ING USA. Allianz remained number one in indexed annuities, and New York Life continued as the dominant issuer of fixed income products.

The Allianz MasterDex X moved from second place to become fourth quarter's best-selling product. Surprisingly, it was the only indexed annuity in the top five. All the others were book value products. Pacific Life's Pacific Explorer, last quarter's leader, came in second. New York Life rejoined the top five with its NYL Select 5 Fixed Annuity in third place. Two Western National annuities – Flex 5 and a proprietary bank product – came in fourth and fifth, respectively. Fourth quarter results include sales of more than 400 products.<sup>6</sup>

<sup>1</sup> Sales figures do not include structured settlements.

<sup>2</sup> Book value fixed annuities pay a declared rate of interest for a specified period. A market value adjustment (MVA) is not imposed if the holder withdraws assets before the end of the contract term. MVA products also pay a declared rate of interest for a specified period, and do impose such an adjustment.

<sup>3</sup> Includes both immediate and deferred income annuities.

<sup>4</sup> Allianz Life Insurance Company of North America is a subsidiary of Allianz AG (NYSE: AZ).

<sup>5</sup> Aviva USA is a subsidiary of Aviva plc (LSE: AV).

<sup>6</sup> This total excludes immediate annuities.

<u>Rank</u>	<u>Company Name</u>	<u>Product Name</u>	<u>Product Type</u>
1	Allianz Life	MasterDex X	Indexed
1	Pacific Life	Pacific Explorer	Book Value
3	New York Life	NYL Select 5 Fixed Annuity	Book Value
4	Western National	Flex 5	Book Value
5	Western National	Proprietary Bank Product F	Book Value

Three of the top five annuities were also distribution channel leaders. Pacific Explorer became the new independent broker-dealer sales leader and continued as the top bank and wirehouse product. MasterDex X remained number one among independent producers. The New York Life Optimal Fixed Annuity (a book value product) was the new captive agent bestseller.

<u>Channel</u>	<u>Company</u>	<u>Product</u>	<u>Product Type</u>
Banks and S&Ls	Pacific Life	Pacific Explorer	Book Value
Captive Agents	New York Life	NYL Optimal Fixed Annuity	Book Value
Independent Broker-Dealers	Pacific Life	Pacific Explorer	Book Value
Independent Producers	Allianz Life	MasterDex X	Indexed
Large/Regional Broker-Dealers	New York Life	NYL Select 5 Fixed Annuity	Book Value
Wirehouses	Pacific Life	Pacific Explorer	Book Value

Fourth quarter's fixed annuity rate trends resembled those of the prior quarter. These rates continued to decline. Only a few one-year renewal rates were crediting at the threshold 5% level. Both book and MVA annuities again moved to shorter initial interest guarantee periods. As was the case in third quarter, most annuity buyers probably didn't want to lock in low rates for more than a few years.

"We expect first quarter sales to post a sequential increase," said Jeremy Alexander, CEO of Beacon Research. "Fixed annuity rates are somewhat higher and there's been stepped up promotional activity of all four fixed annuity product types. Though consumer demand should remain strong, further growth will depend on the interest rate environment and the availability of investment grade bonds to back new business."

### **About the Beacon Research Fixed Annuity Premium Study**

The quarterly Study is the first and only source to track and analyze product-level fixed annuity sales on an ongoing basis. Providing timely market intelligence of the highest quality, it's designed to report what's moving in each channel and *why*.

### **About Beacon Research**

Beacon Research tracks fixed, indexed and variable annuity sales, rates and features, and provides web-based systems at [www.annuitynexus.com](http://www.annuitynexus.com) for distributors and insurance companies. Beacon also licenses information and software tools to other platforms, including EbixExchange's AnnuityNet annuity automation platform. Beacon's fixed annuity benchmark series -- the industry's first - is available through Ibbotson Associates. Directly and through strategic alliances, Beacon information can be accessed by hundreds of financial institutions and distributors.

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