

## **Sales of Fixed Annuities Up 10% in 2Q; Big Indexed Writers Gain Ground on Market Rally**

EVANSTON, Ill. August 31 (BestWire) — Second-quarter sales of fixed annuities in the United States, including equity-indexed annuities, rose 10% from the same period a year ago, to an estimated \$27.8 billion, according to Beacon Research, a firm that tracks the data.

By company, New York Life recaptured the No. 1 spot from second place to reclaim sales leadership from MetLife Inc. Sales for New York Life stood at \$2.8 billion, according to Beacon.

For the first time ever, MetLife became the top seller of these retirement-savings and income products in last year's fourth quarter (BestWire, March 10, 2009). But in the second quarter, the largest U.S. life insurer dropped to seventh place, with sales of nearly \$951 million, according to Beacon. Attempts to get comment from MetLife were not immediately successful. In an interview with BestWire in February 2006, C. Robert Henrikson, then MetLife's president and chief operating officer, said MetLife doesn't manufacture equity-indexed annuities (BestWire, Feb. 27, 2006). Henrikson has since become MetLife's chairman and chief executive officer.

Taking second place was Aviva USA, with sales of \$1.6 billion, according to Beacon. Allianz Life, with sales of \$1.5 billion, ranked third, while Aegon/Transamerica companies took fourth place, with sales of nearly \$1.3 billion. Rounding out the top five was American Equity Investment Life Insurance Co., with sales of \$1.1 billion.

Aviva USA, Allianz Life and American Equity are all primarily equity-indexed annuity writers.

With indexed annuities, an insurance company invests most of the principal in bonds to ensure the policy will generate a small annual return, but the insurer uses a small portion of the premium to buy options in a stock market index. Options that are exercised can result in additional interest credited to a policy, potentially more than an investor might achieve through other fixed-income investments.

"Credited rates on traditional fixed annuities declined during the second quarter, and at the same time, the stock market showed signs of a big recovery from its lows in March," Jeremy Alexander, president and CEO of Beacon, told BestWire. "It appears as though independent producers embraced the value proposition of indexed annuities — upside with limited downside."

Meanwhile, total individual annuity sales in the second quarter dropped to \$60.5 billion, a decline of 11% from the same period a year ago, according to LIMRA International's U.S. individual annuities quarterly sales survey.

Fixed sales "fell quarter-over-quarter due to a decline in fixed-annuity interest rates and their corresponding spreads in addition to annuity companies pulling back on issuing new business due to capital constraints," said Joe Montminy, research director for LIMRA's annuity research, in a statement.

LIMRA put second-quarter fixed-annuity sales a bit higher — at \$28.6 billion — and noted a 20% drop from the first quarter. Sales haven't declined on a quarter-over-quarter basis since the first quarter of 2007, the industry research organization said.

Credited rates were low and declined somewhat during the second quarter, according to Beacon. It was increasingly difficult to find fixed annuities crediting at the threshold 5% level, the firm said. "Consumers generally buy fixed when rates are 5% or higher," Alexander said.

Beacon's estimates are based on sales of 53 insurance companies representing roughly 86% of the market.

Sheryl Moore, president and chief executive officer of AnnuitySpecs.com, a firm that tracks indexed-annuity sales, told BestWire sales of these products are up because "consumers are looking for products that can protect their principal."

According to her firm, U.S. sales of indexed annuities rose to \$8.3 billion in the second quarter, up 21.2% (BestWire, Aug. 18, 2009).

(By Fran Matso Lysiak, senior associate editor, BestWeek: fran.lysiak@ambest.com) BN-NJ-08-31-2009 1610 ET #