

# Beacon: Fixed Annuity Premium Up in Q2

August 30, 2010

*Indexed and Income Annuities Hit Record Highs; New York Life Posts Leading Sales*

**Evanston, IL, August 30, 2010** — U.S. sales of fixed annuities were an estimated \$19.4 billion in second quarter 2010, according to data from the Beacon Research Fixed Annuity Premium Study. Sales were up 18% from first quarter 2010. Compared to the unusually strong second quarter of 2009, results fell 30%. Estimated year-to-date sales of \$35.9 billion were 43% below those of first half 2009, which were the largest since the Study began in 2003.

Estimated second quarter 2010 sales of indexed and income annuities were the highest in the Study's 8-year history. By product type, estimated results were: indexed - \$8.2 billion; book value - \$7.2 billion; fixed income - \$2.4 billion, and; market value-adjusted<sup>2</sup> (MVA) - \$1.5 billion. Results for all four product types improved relative to the previous quarter. Income annuities advanced 31%, MVAs were up 29%, indexed annuities increased 25%, and book value annuities grew 6%. Compared to second quarter 2009, income and indexed annuities also were ahead – by 10% and 0.4%, respectively. But MVA sales fell 57%, and book value results dropped 48%.

Estimated year-to-date product type sales were: indexed - \$14.9 billion; book value - \$14.1 billion; fixed income - \$4.2 billion, and; MVA - \$2.7 billion. Relative to first half 2009, income annuity results improved 2%. Sales of the other product types declined. MVAs fell 73%. Book value annuities were down 57%. Indexed annuities dropped 3%.

There were no quarter-to-quarter changes in top five company rankings, which were as follows:

## Total Fixed Annuity Sales (in thousands)

|   |           |
|---|-----------|
| New York Life   | 1,740,520 |
| Allianz Life <sup>4</sup>                                 | 1,680,253 |
| Aviva USA <sup>5</sup>                                    | 1,613,045 |
| Western National Life (NYSE: AIG)                         | 1,293,876 |
| American Equity Investment Life Insurance Co. (NYSE: AEL) | 1,046,737 |

By product type, Western National replaced New York Life as the quarter's dominant issuer of book value annuities.

American National led in MVA sales, replacing Hartford. New York Life remained number one in income annuities, and Allianz continued as the leading indexed annuity issuer.

Four of second quarter's top five products were also bestsellers in first quarter, though some rankings shifted. The Allianz MasterDex X, an indexed annuity, continued as the quarter's leading product. The New York Life Lifetime Income Annuity moved up from fifth to second place. American Equity's top indexed annuity, Retirement Gold, came in third again. The New York Life Preferred Fixed Annuity moved from second to fourth place. New Directions, an indexed annuity issued by Lincoln Financial Group, joined the top five in fifth place. Second quarter results include sales of some 425 products.

| <u>Rank</u> | <u>Company Name</u>     | <u>Product Name</u>         | <u>Product Type</u> |
|-------------|-------------------------|-----------------------------|---------------------|
| 1           | Allianz Life            | MasterDex X                 | Indexed             |
| 2           | New York Life           | NYL Lifetime Income Annuity | Income              |
| 3           | American Equity         | Retirement Gold             | Indexed             |
| 4           | New York Life           | NYL Preferred Fixed Annuity | Book Value          |
| 5           | Lincoln Financial Group | New Directions              | Indexed             |

Three of these annuities also led distribution channel sales. All three were repeat performers, with MasterDex X the top independent producer product, the New York Life Preferred Fixed Annuity the bestseller in banks, and the New York Life Lifetime Income Annuity the leader in captive agent sales. In wirehouses, Pacific Life's Pacific Explorer was the new sales leader. The NYL Select Five Fixed Annuity replaced another New York Life product in the large/regional broker-dealer channel. Among independent broker-dealers, MassMutual's RetireEase income annuity led sales for the second quarter in a row.

| <u>Channel</u>                | <u>Company</u> | <u>Product</u>              | <u>Product Type</u> |
|-------------------------------|----------------|-----------------------------|---------------------|
| Banks and S&Ls                | New York Life  | NYL Preferred Fixed Annuity | Book Value          |
| Captive Agents                | New York Life  | NYL Lifetime Income Annuity | Income              |
| Independent Broker-Dealers    | MassMutual     | RetireEase                  | Income              |
| 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          |

Credited rates fell during second quarter, with top rates on multi-year guarantee annuities dropping from more than 4% to 3.75%. However, the fixed annuity advantage over Treasury rates increased, and the market apparently was expecting lower rates in the future. Both factors boosted fixed annuity sales quarter-to-quarter. But although the yield curve flattened, fixed annuity sales by guarantee period changed surprisingly little.

"The spread between fixed annuity and Treasury rates has widened since second quarter, and the flight to safety has intensified. These conditions suggest a potential quarter-to-quarter sales increase of about 10%," said Jeremy Alexander, CEO of Beacon Research. "Actual results will depend on the capacity and willingness of issuers to write new business, of course. Longer term, we also expect rising demand to support growth in fixed annuity sales. The public will be more risk-averse for some time to come, there is wide recognition of the need to save for retirement, and the value of tax deferral seems likely to increase."

### **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.

<sup>1</sup> Sales figures do not include structured settlements or employer-sponsored retirement plans.

<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).