

## Fixed Annuity Sales Fall Overall in 2009

By Editorial Staff Tue, Feb 23, 2010

Total fixed annuity sales were \$105.1 billion in 2009, just 2% less than the record high in 2008.

Performing inversely to the equity markets, overall fixed annuity sales weakened over the course of 2009 and in the fourth quarter sales were down more than 40% from the same quarter a year earlier.

After a record-setting first quarter 2009, when overall fixed annuity sales reached \$34.8 billion, sales fell to \$27.8 billion, \$22.1 billion, and \$20.4 billion in the last three quarters of the year. Sales for the fourth quarter were \$20.4 billion, down slightly from \$22.1 billion in the previous quarter, representing an 8% decline.

Most of the decline in sales across the year could be attributed to weakening sales of book value and market value adjusted fixed annuities. They sold a combined \$25.7 billion in the first quarter of 2009 but were only \$10.8 billion in the last quarter, a decline of almost 60%.

Quarterly U.S. Fixed Annuity Sales, By Product Type					
Quarter Ended	12/09	9/09	6/09	3/09	12/08
Total Sales (\$millions)	20,360	22,140	27,810	34,760	34,110
Book Value	8,994	9,940	13,862	19,194	17,120
Market Vale Adjusted	1,855	2,907	3,563	6,549	7,445
Indexed	7,588	7,349	8,215	7,076	7,179
Income	1,915	1,942	2,167	1,941	2,362
Source: Beacon Research					

By contrast, sales of fixed indexed annuities, which are structured notes whose returns fluctuate with equity markets, and sales of immediate annuities, were relatively stable throughout the year.

In a way, the sales decline was a return to normalcy, after the panicky flight from equities in last quarter of 2008 and the first quarter of 2009. Year-to-year sales were down marginally, from a record \$106.7 billion in 2008 to \$105.1 billion in 2009, posting a 1.5% decline

“Fixed annuity sales in 2009 were second only to the record-setting prior year,” said Jeremy Alexander, CEO of Beacon Research, which compiled the data and released it in partnership with the Insured Retirement Institute. “Due to strong demand for secure

retirement savings and income alternatives, 2009 results were achieved despite financial pressures on consumers and other challenges.”

Fixed indexed annuity sales climb at the end of the year, with fourth quarter sales totaling \$7.6 billion, up 3.2% from the previous quarter. Total fixed index annuity sales for 2009 were \$30.2 billion, posting a year-to-year increase of \$3.5 billion.

Total fixed annuity sales were \$105.1 billion in 2009, just 2% less than the record high in 2008. During the last quarter of 2009, fixed indexed annuity sales represented 37.3% of all fixed annuity sales, compared to only 21% in the last quarter of 2008.

Beacon Research, based in Evanston, Ill., is an independent research firm and application service provider that tracks fixed and variable annuity features, rates and sales. Beacon also licenses information to Insurance Technologies' VisibleChoice annuity sales platform, Ebix, Lipper, and Ibbotson Associates.

<b>Quarterly Market Share By Product Type (As a percent of total sales) 12/31/09</b>	
Book Value	44.2%
Market Value Adjusted	9.1
Indexed	37.3
Immediate	9.4
Source: Beacon Research	