

New York Life Reclaims Title as Top US Seller of Fixed Annuities Amid 52% Industry Decline in First Quarter

EVANSTON, Ill. June 02 (BestWire) — New York Life reclaimed its position as the top seller of individual fixed annuities in the United States in the first quarter of 2010, according to Beacon Research.

But total U.S. sales for the industry, including equity-indexed annuities, declined 52% from the same period a year ago, to roughly \$16.7 billion, according to Beacon and the Insured Retirement Institute.

In the fourth quarter of 2009, Western National Life Insurance Co. — a subsidiary of American International Group Inc. — became the top U.S. seller of fixed annuities overall, according to Beacon (BestWire, March 11, 2010). The last time the former AIG Annuity Insurance Co. reached first place in overall sales of these retirement-savings and income products was the first quarter of 2008 — six months before its parent company received a multibillion-dollar government bailout.

Western National had vaulted from sixth place to first place in the fourth quarter, bumping New York Life to second place. Western National is now in fourth place. Fixed-annuity sales for New York Life stood at \$1.72 billion.

Western National's sales decrease drove New York Life to the top, said Jeremy Alexander, president and chief executive officer of Beacon Research. Western National increased its individual fixed-annuity spread rate in the quarter to 2.51% from 0.93%, Alexander said.

"This is another way of saying that they lowered their credited rate," he said. "We believe that they purposely drove less premium by lowering rates."

Western National Life Insurance Co. "continues to be the leading provider of fixed annuities sold through banks and has held this position for the past 14 consecutive years," said Bruce Abrams, president and CEO of the company. According to Kerher-LIMRA, which measures annuity sales in banks, Western National maintained its No. 1 position in fixed-annuity sales in the first quarter, he said.

John Meyer, senior vice president of New York Life, said the company's sales "reflect a continued flight to quality among consumers in both our career agent and other third-party distribution channels.

"The positive sales results were also impacted by the company's dominant market share in immediate annuities," he said. By product type, New York Life remained the top issuer of immediate annuities, Beacon said.

As for industry sales, conditions were very different in the first quarter of 2010, compared with last year's first quarter, Alexander said, noting fixed annuities "no longer had a significant rate advantage" over other conservative fixed instruments, such as bank certificates of deposit.

In addition, "massive inflows of money" went into equity mutual funds, Alexander said.

Separately, industry research organization LIMRA put first-quarter total U.S. sales of fixed-annuities a bit higher — at \$19 billion.

Catherine Theroux, a LIMRA spokeswoman, said LIMRA's total figure includes immediate and structured settlement sales, while Beacon's does not. If those are removed and sales of deferred fixed annuities are only looked at, LIMRA's total is \$15.9 billion, she said. However, Judith Alexander, Beacon director of sales and research, says Beacon does include immediate annuities in its total.

Shrinking interest rate spreads "have undermined fixed annuity sales — causing total annuity sales to hit an eight-year low this quarter," said Joe Montminy, assistant vice president for LIMRA's annuity research, in a statement.

By product type, estimated sales were \$6.8 billion for book value; \$6.7 billion for equity-indexed; \$1.8 billion for immediate and \$1.3 billion for market-valued-adjusted, according to Beacon. Year-ago rates hit a record driven by sales of book-value products, due partly to a strong rate advantage, the firm said. But sales of book value annuities were down 64% from last year's first quarter.

Capturing second place in fixed-annuity sales in first quarter was Allianz Life Insurance Company of North America, with sales of \$1.46 billion, according to Beacon. Allianz Life, a unit of Germany's Allianz SE, remained No. 1 for U.S. sales of indexed annuities in the quarter, according to Annuityspecs.com, a firm that tracks this data (BestWire, May 17, 2010).

Aviva USA, with sales of \$1.17 billion, ranked third in sales, according to Beacon. Aviva USA, a unit of U.K.-based Aviva plc, took second place in U.S. sales of indexed annuities in the quarter, according to Annuityspecs.com.

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