

Regulators Set Their Sights on Stranger-Owned Annuities

The National Association of Insurance Commissioners plans to conduct a hearing on the legitimacy of sale of third-party, or stranger owned, annuities.

Thomas R. Sullivan, chairman of the NAIC Life Insurance and Annuities Committee, said the hearing will focus on reports of seniors and terminally ill patients being induced to purchase an annuity largely for the benefit of investors or intermediaries. The issue moved front and center with the NAIC following a handful of federal civil suits that were filed by Western Reserve Life Assurance Company of Ohio and Transamerica Life Insurance Co. In one case, the carriers are suing a philanthropist from Rhode Island, Joseph Caramadre, alleging that he took advantage of the terminally ill in a stranger owned annuities scam. According to reports, Caramadre said he was taking advantage of annuities that guaranteed benefits for policy owners who died before the start of their regular premium payments. Several of the clients have claimed that they were told nothing of the benefit or of the fact that the agent was listed as the beneficiary.

Some in the secondary market have said insurers and regulators have been looking to close down consumers' ability to sell unwanted annuities and life insurance products. Brian K. Staples, president of RIGHT LLC, a regulatory consulting firm for the life settlements industry, told InvestmentNews that the life industry is just using the issue.

"A point that's lost in these discussions is that the industry wants to harp that the secondary market is the evil that's creating stranger-originated business," Staples told InvestmentNews. "The primary side is the one that writes these products." [INN](#)



Thomas R. Sullivan

Indexed Annuities Set Sales Record in 2009

Indexed annuity sales set a new record of more than \$30 billion in 2009, according to AnnuitySpecs.com.

Sales in the fourth quarter of 2009 totaled \$7 billion, which was down 2.7 percent from the fourth quarter of 2008 and 6.7 percent from the third quarter of 2009. AnnuitySpecs' Indexed Sales & Market Report also showed that Allianz Life earned the 2009 title for total sales as well as for top carrier. Aviva came in second, followed by American Equity, Jackson National and ING rounding out the top five. For the third consecutive quarter, the best-selling indexed annuity was Allianz Life's MasterDex X. The quarter's indexed sales in bank and wire

house distributions were dominated by Jackson National Life. 2010 is expected to be an interesting year as the industry continues to grow more competitive.

Fixed Annuity Premium Down 11% in Q4

Fourth-quarter fixed annuity sales in 2009 were \$19.6 billion, down 11 percent from the previous quarter, according to the Beacon Research Fixed Annuity Premium Study. Sales were also down 43 percent from the fourth quarter of 2008.

AIG retook the No. 1 spot with its rebranded Western National, knocking New York Life to second. Allianz came in third. Fourth-quarter product sales in 2009 were lower than the near-record

levels in Q4 2008. Beacon data shows the following results: \$9 billion in book value, which is down 47 percent from the fourth quarter of 2008; \$6.9 billion in indexed, down 4 percent; \$1.8 billion in market value-adjusted, down 76 percent; and \$2 billion in fixed income, down 17 percent.

VA Owners Desire E-Delivery

A recent study shows that variable annuity owners are highly interested in receiving electronically delivered prospectuses and related compliance documents.

The study conducted by Mathew Greenwald & Associates shows that more than 50 percent of VA owners and variable universal life policy holders who are not already offered e-delivery wanted to have this service if available. Only 26 percent of them remembered being notified of this option. Since respondents were interested in e-delivery, research shows that this is an overlooked opportunity and that the insurance industry lags behind other industries in offering customers electronic delivery options. Additionally, results show that only 29 percent of VA/VUL policy holders read the prospectus or any additional hard-copy documents they get, with an even lower 6 percent saying they read them in their entirety. Roughly 59 percent of these respondents stated that the difficulty of reading documents online has stopped them from using e-delivery.

UK Sales of 'Impaired Life' Annuities Grow

No one knows whether "impaired life" annuities will ever be big in the United States, but sales are quite healthy in Great Britain. UK sales of the annuities, which offer higher payouts to smokers and others likely to die prematurely, increased 24 percent to \$2.7 billion in 2009, according to Towers Watson.

The products, also known as "enhanced annuities," now make up about 17 percent of the British annuity market. The annuities were introduced in Britain in 1995 and are offered by such carriers as Aviva, Axa and Prudential.