

First-Quarter U.S. Sales of Fixed Annuities Jump 78%

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Total first-quarter 2009 sales of fixed annuities in the United States, including equity-indexed annuities, jumped 78% from the same period a year ago, to an estimated \$34.9 billion, according to Beacon Research.

The results represent four consecutive quarters in which each quarter's sales were higher than the previous one's, said Jeremy Alexander, president and chief executive officer of Beacon. Beacon started to track fixed annuity sales in 2003.

Along with investors seeking stable returns without fluctuations in the stock market, carriers have been able to provide higher credited rates than other similar, fixed-rated instruments, such as bank certificates of deposit and Treasury bonds, Alexander said. Throughout the quarter, average five-year credited rates for fixed annuities exceeded five-year Treasury bond rates by more than 100%, he said.

By company, MetLife Inc. retained its No. 1 spot, with sales of \$3.6 billion, according to Beacon. MetLife, for the first time ever, became the top seller of these retirement-income products in the fourth quarter of 2008 (BestWire, March 10, 2009).

In second place was New York Life, with sales of nearly \$3.5 billion, according to Beacon. Aviva USA, with sales of nearly \$2.5 billion, ranked third, while RiverSource Life, a unit of Ameriprise Financial, took fourth place, with sales of \$2.1 billion. Rounding out the top five was Aegon/Transamerica, with sales of \$2 billion, the firm said.

By product type, estimated sales of book value fixed annuities were \$19.2 billion; \$7.1 billion for equity-indexed; \$6.5 billion for market-value adjusted and \$2.1 billion for immediate, reflecting year-over-year increases for all product types, Beacon said.

More than half of all sales of book-value products occur in banks, Alexander said. Because of the rate advantage they had over bank CDs, sales showed a tremendous increase - at 96% - over last year's first quarter, he said.

New York Life again ranked No. 1 in sales of immediate annuities and also reclaimed leadership in book value sales from Aegon/Transamerica, according to Beacon. Aviva USA and MetLife remained leaders in sales of indexed and market-value adjusted, respectively, the firm said.

Excluding indexed annuities and structured settlements, estimated sales were \$27.9 billion, a 100.8% increase from last year's first quarter, Beacon said. The top five carriers were MetLife, New York Life, RiverSource Life, Aegon/Transamerica and AIG Annuity Insurance Co.

As of June 1, AIG Annuity, part of American International Group (NYSE: AIG), is now doing business as Western National Life Insurance Co., Alexander said. The move is an attempt by the company "to distance itself" from its parent company's financial problems, he said.

Beacon's study is based on sales of 53 insurance companies, representing an estimated 86% of the market.

Separately, according to industry research organization Limra International's U.S. individual annuities first-quarter 2009 sales report, fixed annuities outsold stock-market linked variable annuities -- \$35.6 billion to \$30.7 billion -- for the second consecutive quarter.

The last time this happened was in the first half of 1995, said Joe Montminy, research director for Limra's

annuity research, in a statement. "Consumers, still leery of the volatile stock market and looking for secure, competitive guaranteed rates of return, continued to invest more money into fixed annuities for their retirement income needs," he said.

(By Fran Matso Lysiak, senior associate editor, BestWeek: fran.lysiak@ambest.com)

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