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U.S. Sales of Fixed Annuities Jump 54% in Third Quarter Fran Lysiak

Total sales of fixed annuities in the United States, including the equity-indexed variety, rose to an estimated $27.1 billion in the third quarter of 2008, a 54% increase from the same period a year ago, according to Beacon Research.

Year to date, total market sales for these retirement-income products were an estimated $70.6 billion, a 50% gain from the same period a year ago, the firm said.

"The troubled equities market prompted a pronounced flight to safety," said Jeremy Alexander, president and chief executive officer of Beacon, in a statement. "Fourth quarter's economy suggests that fixed annuity sales should be even stronger, provided that risk-adverse consumers continue to feel safe entrusting their money to the life insurance industry despite the well-publicized problems of some companies."

The firm's data is based on sales of 51 insurance companies, representing about 87% of the market.

New York Life retained its No. 1 position, with sales of $2.5 billion. It was followed by Aviva USA, with sales of $2 billion; Aegon/Transamerica companies, with $1.76 billion in sales; and AIG Annuity Insurance Co., with sales of $1.71 billion. Rounding out the top five was Allianz Life Insurance Company of North America, with sales of nearly $1.4 billion.

By product type, New York Life remained the leader in immediate annuities and also captured the No. 1 spot in book value products. Aviva USA continued to lead in indexed annuities, while Allstate Financial was tops in market-value adjusted products, Beacon said.

Excluding indexed annuities and structured settlements, estimated sales stood at $20.1 billion, a 79.3% increase from last year's third quarter. The top five carriers were New York Life, followed by Aegon/Transamerica, AIG Annuity Insurance Co., Principal Financial Group and Jackson National Life, Beacon said.

Amid declining and sharply volatile U.S. equities market, sales of stock-market linked variable annuities, meanwhile, have trended lower in recent months.

According to a new AM. Best special report, given the unprecedented capital markets volatility in 2008, variable annuity operating trends are likely to be negative, whereas fixed annuities - particularly traditional fixed products - are expected to improve (BestWire, Nov. 21, 2008). Among the findings, sales of variable annuities trended downward through midyear 2008, on both a gross and net-flow basis, and are likely to continue downward through 2008 and into 2009.

For the first nine months of this year, VA sales dropped 10% to $122 billion, according to industry trade Limra regarding a finding in its U.S. individual annuities third-quarter 2008 sales report. Just more than 80% of new premium went into contracts in which a guaranteed living benefit rider was chosen, if available, it estimated.

"The availability of riders that offer guarantees that can protect either a consumers principal or provide guaranteed income appears to have softened the decline in VA sales since the decrease in VA sales was about half of the decline experienced in the equities market," said Joe Montminy, Limra's research director for annuity research, in a statement.

Despite the decline in variables, sales of individual annuities overall in 2008 are strong, at $197.1 billion through the first three quarters, Limra said.

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