



Insured Retirement Institute

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IRI EXCLUSIVE: Total First Quarter Annuity Sales *First-Ever Industry-Wide Reporting Unites Morningstar VA & Beacon Research FA Data*

WASHINGTON, D.C. – The Insured Retirement Institute (IRI) today announced its inaugural, exclusive new annuity reporting system. This new effort exclusively unites trusted data from Morningstar, Inc. and Beacon Research, offering an industry-wide overview on the state of both variable annuity and fixed annuity sales.

“Industry leaders have long maintained that the best way to measure the success and strengths of the insured retirement industry is to take a holistic look at what is occurring in both fixed and variable sales,” IRI President and CEO Cathy Weatherford said. “IRI is delighted to bring together the most trusted names in data and information under one umbrella. With this new combination reporting system, our industry will be able to utilize both a macro and detailed look at what trends are emerging for all annuity product types – something that’s completely unique and very powerful.”

Annuity sales for the first quarter were \$47.4 billion down from \$50.9 billion in the previous quarter, representing a 6.9% decline. Year-to-year quarterly sales of annuities were down 27%, declining from \$64.4 billion in the first quarter of 2009.

Fixed annuity sales for the first quarter were \$16 billion, down from \$19 billion in the previous quarter, representing a 14.7% decline. Year-to-year quarterly sales of fixed annuities were down 51.9%, declining from \$34 billion in the first quarter of 2009.

“The quarter-to-quarter drop in fixed annuity sales was due mainly to lower book value and MVA results. It appears that prospective buyers expected higher rates in the future and did not want to lock in first quarter’s credited rates,” said Beacon Research President and CEO Jeremy Alexander. “A year ago, fixed annuity sales hit a record high because of the flight to safety and strong fixed annuity rate advantage. It’s not surprising that year-over-year results were down substantially.”



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Fixed Table 1. Quarterly Fixed Annuity Sales By Product Type

(\$ Millions)	Quarter Ended				
	3/31/10	12/31/09	9/30/09	6/30/09	3/31/09
Total Sales (Rounded)	16,730	19,620	22,140	27,810	34,760
Book Value	6,845	9,008	9,940	13,862	19,194
Market Value Adjusted	1,321	1,764	2,907	3,563	6,549
Indexed	6,740	6,880	7,349	8,215	7,076
Income	1,829	1,967	1,942	2,167	1,941

Source: Beacon Research

Fixed Table 2. Quarterly Market Share By Product Type

(As a percent of total sales)	3/31/10
Book Value	40.9
Market Value Adjusted	7.9
Indexed	40.4
Immediate	10.9

Source: Beacon Research

Variable annuity sales for the first quarter were \$31.4 billion, down 1.5% from \$31.9 billion in the previous quarter. Year-to-year quarterly sales of variable annuities were up marginally, posting a 3% increase from first quarter 2009 sales of \$30.4 billion. First quarter 2010 net sales were \$3.4 billion. There were \$21.7 billion in qualified sales and \$9.6 billion in non-qualified in the first quarter.

“While total sales were down slightly from fourth quarter levels, we saw continued strength in the sales of products offering robust living benefit guarantees,” said Morningstar, Inc. Director of Insurance Solutions Frank O’Connor. “Products offering lifetime guaranteed withdrawal benefits with value enhancers such as step-ups and bonus credits represented the lion’s share of sales. This is a reflection of the VA investor’s desire for higher returns in a low rate environment coupled with a willingness to exchange a percentage of those potential returns for the protection offered by these benefits.”



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Variable Table 1. Variable Annuity Net Assets

(Dollars in Millions)	3/31/10	12/31/09	9/30/09	6/30/09
Total Net Assets	1,397,493	1,353,957	1,311,387	1,187,614

Source: Morningstar, Inc

Variable Table 2. Variable Annuity Premium Sales¹

(Dollars in Millions)	3/31/10	12/31/09	9/30/09	6/30/09
Total Sales	31,416	31,889	31,015	31,765

Net Sales	2,900	2,905	2,844	6,137
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Source: Morningstar, Inc.

¹Total Premium Sales, also called Total Premium Flows, represents the sum of new sales [all first-time buyers of a contract, including inter- and intra-company exchanges] and additional premiums from existing contract owners. Net Sales, also called Net Flows, represents Total Premium Sales minus surrenders, withdrawals, inter- and intra-company exchanges, and benefit payments

Variable Table 3. Quarterly Variable Annuity Total Premium & Net Sales

(\$ Millions)	Quarter Ended				
	3/31/10	12/31/09	9/30/09	6/30/09	3/31/09
Total Sales	31,416	31,889	31,015	31,765	30,446
Net Sales	2,900	2,905	2,844	6,137	5,085
Net Sales as % of total sales	9.2	9.1%	9.2%	19.3%	16.7%

Source: Morningstar, Inc.

Variable Table 4. Variable Annuity Assets by Asset Class

(As a percent of total assets)	3/31/10
Equity	48.6 %
Fixed Accounts	21.1
Allocation	15.7
Bonds	11.7
Money Market	2.8

Source: Morningstar, Inc.



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About the Insured Retirement Institute: The Insured Retirement Institute (IRI) is a not-for-profit organization and is the authoritative source of all things pertaining to annuities, insured retirement strategies and retirement planning. IRI exists to vigorously promote consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors and consumers under one umbrella. IRI's mission is to: encourage industry adherence to highest ethical principles; promote better understanding of the insured retirement value proposition; develop and promote best practice standards to improve value delivery; and to advocate before public policy makers on critical issues affecting insured retirement strategies. Visit www.IRIONline.org to experience the new, vast resources of the new Insured Retirement Institute for yourself.

About Beacon Research: Beacon Research is an independent research company and application service provider founded in 1997 and based in Evanston, IL. Beacon tracks fixed and variable annuity features, rates and sales. Its quarterly *Fixed Annuity Premium Study* is the first and only source to analyze fixed annuity sales at the product level. Beacon lowers compliance risk and increases fixed annuity sales with 100% carrier-approved, comprehensive product profiles, spreadsheets and search tools for the advisor/rep websites of banks, TPMs, broker-dealers and marketing organizations. Financial institutions use its systems at www.annuitynexus.com for compliance review of 1035 exchanges, sales support, conservation and product research. Beacon also licenses information to other platforms, including Insurance Technologies' VisibleChoice™ annuity sales platform, Ebix, Lipper, and Ibbotson Associates. Directly and through strategic alliances, Beacon information can be accessed by hundreds of financial institutions and thousands of advisors.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of Internet, software, and print-based products and services for individuals, financial advisors, and institutions. Morningstar provides data on approximately 350,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 4 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. The company has operations in 20 countries and minority ownership positions in companies based in two other countries.

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