



Annuity Market Update

Southeastern Actuaries Conference (SEAC) Fall Meeting

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TOWERS WATSON 

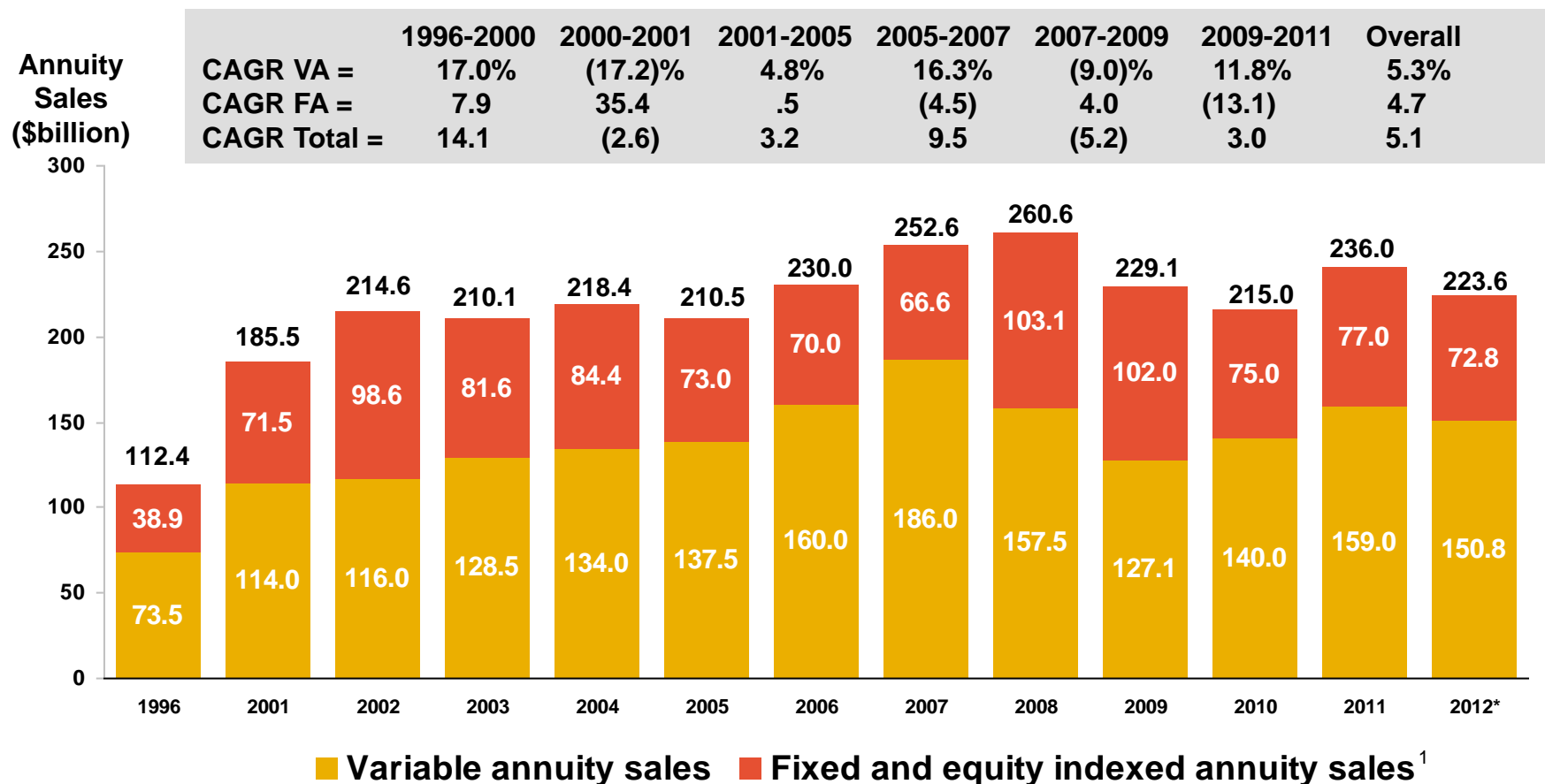
Agenda

- Sales trends
- Product trends
- Pricing and risk management topics

Sales Trends

Annuity sales have declined in 2012, largely influenced by economic conditions

Mix of U.S. Annuity Gross Sales



¹ Includes immediate annuity sales (\$7.5 billion in 2010)

* 2012 Sales based on YTD data through Q2, annualized

Source: Variable sales from Towers Watson VALUE Survey ("VALUE"), includes all non-pension variable annuity premiums (first-year and renewal, separate account and fixed account). Fixed sales from LIMRA, includes deferred and immediate annuities, EIAs, and MVA (excludes structured settlements).

Fixed annuity sales continue to decline, but FIAs exhibit significant strength

- Fixed annuities continue to suffer from low interest rate environment
- Fixed indexed annuities continue to grow driven by attractive GLWB features, equity market upside

	Q2 2012	Q1 2011	% Chg	YTD 2012	YTD 2011	% Chg
Total Variable	38.6	40.6	-5%	75.4	80.1	-6%
Book Value	5.5	8.3	-34%	11.3	16.8	-33%
Indexed	8.6	8.1	+6%	16.7	15.2	+10%
MVA	1.2	1.4	-14%	2.5	2.8	-11%
Immediate	3.1	3.5	-11%	5.9	6.5	-9%
Total Fixed	18.4	21.3	-14%	36.4	41.3	-12%

Source: LIMRA, sales in billions

Indexed Annuity Sales (1995 – 2012)



Source: *AnnuitySpecs.com's Indexed Sales & Market Report*, 2Q2012 and LIMRA. 2012 sales extrapolated based on HY2012 sales of \$16.8 billion

Top Variable Annuity Carriers (2011-2012)

Ranking		Company Name	Sales Volume (\$ billion)		Market Share (%)	
YTD 2012 ¹	YTD 2011 ²		YTD 2012 ¹	YTD 2011 ²	YTD 2012 ¹	YTD 2011 ²
1	2	Prudential Financial	10.3	11.4	13.5	14.0
2	3	Jackson National	9.6	9.5	12.6	11.8
3	1	MetLife	9.5	12.7	12.5	15.6
4	4	TIAA-CREF	7.6	6.9	9.9	8.5
5	5	Lincoln National	4.9	4.9	6.4	6.0
6	6	AIG / SunAmerica / American General / VALIC	4.5	3.8	5.9	4.6
7	8	AXA Financial / MONY	4.5	3.4	5.9	4.2
8	9	Riversource Life Insurance Company	2.8	3.3	3.6	4.1
9	10	Transamerica Companies	2.5	2.6	3.3	3.2
10	7	Nationwide Life	2.5	3.8	3.3	4.6
11	11	Allianz Life	2.0	1.9	2.6	2.4
12	12	Pacific Life	1.9	1.7	2.4	2.1
13	14	New York Life	1.3	1.2	1.7	1.5
14	13	Thrivent Financial for Lutherans	1.3	1.2	1.7	1.5
15	15	Fidelity Investment	0.9	1.1	1.2	1.4
		Total Top 15	69.7	73.0		
		Market Total Estimate	76.4	81.0		

¹ Through Q2 2012

² Through Q2 2011

Source: Towers Watson VALUE Survey

Top FIA Carriers (2008-2012)

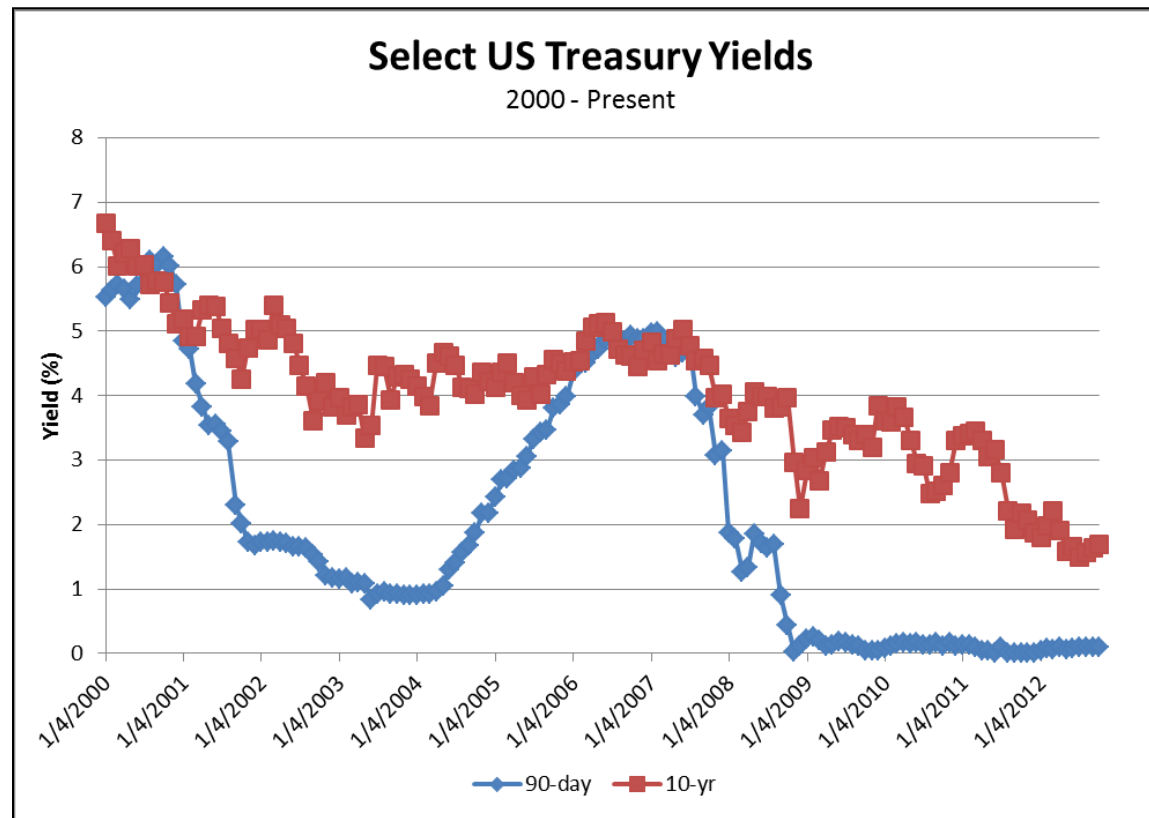
	2008		2009		2010		2011		2012 HY	
Rank	Company	Share %	Company	Share %	Company	Share %	Company	Share %	Company	Share %
1	Aviva	27%	Allianz Life	18%	Allianz Life	21%	Allianz Life	20%	Allianz Life	17%
2	Allianz Life	16%	Aviva	18%	Aviva	16%	Aviva	14%	Aviva	14%
3	American Equity	8%	American Equity	12%	American Equity	13%	American Equity	13%	American Equity	10%
4	Midland National Life	6%	Jackson National Life	7%	Lincoln National Life	6%	Great American	6%	Great American	7%
5	ING	5%	Lincoln National Life	7%	ING	5%	North American	6%	F&G Life	6%
Total		62%		62%		61%		59%		54%

Source: *AnnuitySpecs.com's Indexed Sales & Market Report, 2008-2012*

Product Trends

Key Issues Impacting Products – Economic Environment

- High volatility / low interest rate environment of GFC forced large product de-risking efforts
- Persisting low interest rate environment continues to be a **significant** burden



Variable Annuity Product Trends

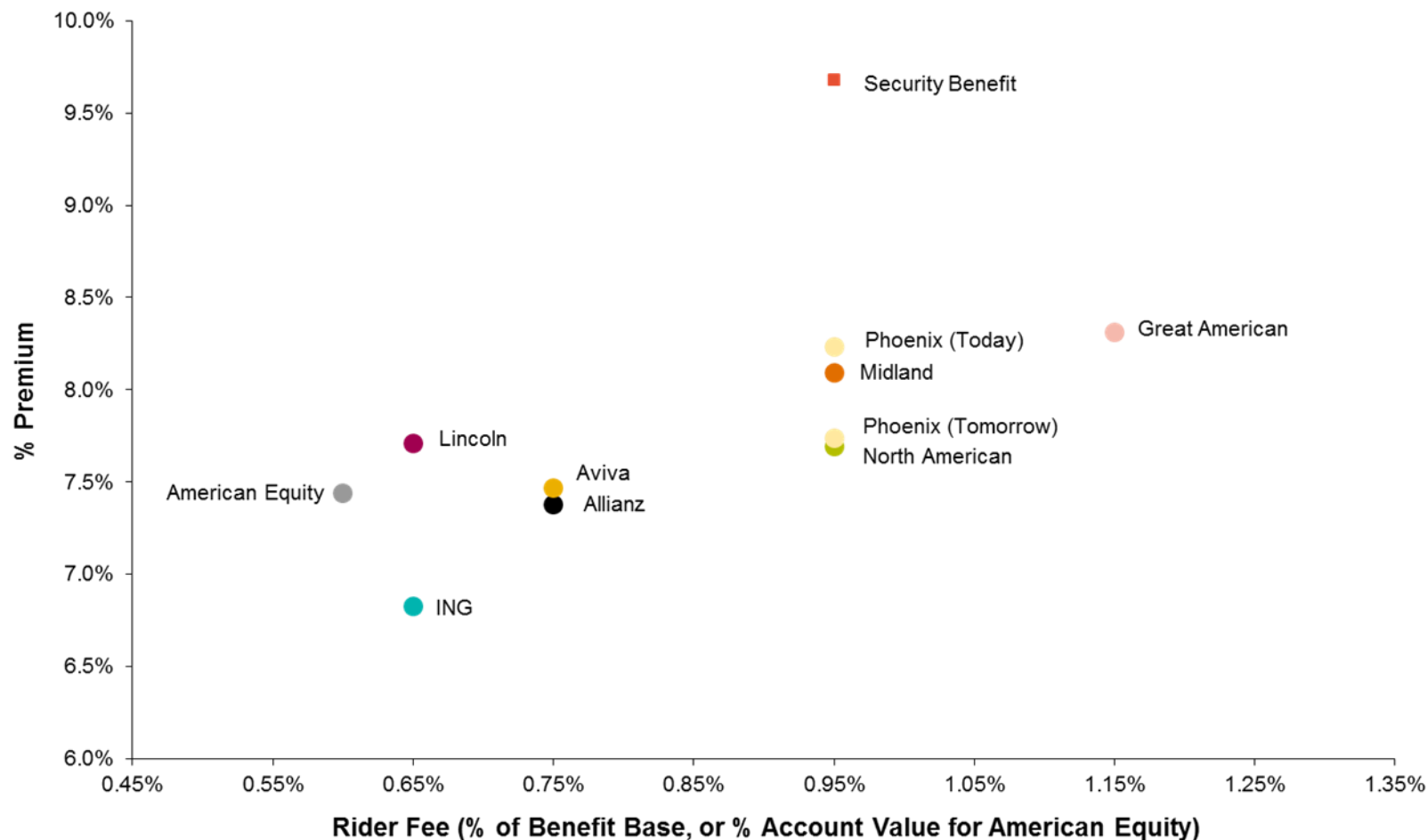
- Reduction in guaranteed income via rollups / income rates
- Target volatility funds
- CPPI strategies
- Features indexing
- Hybrid products

Indexed Annuity Product Trends

- Sales are propelled by competitiveness of income riders
- Some notable changes happened during the year (next slides)
 - Income rate decreases
 - Rollup decreases / make simple interest / limit rollup period
 - Some fee increases
 - Key drivers: low new money yields and 2012 valuation rates
- Several carriers decreased commissions
 - Examples: Great American, Allianz Life, Lincoln, Equitrust, Genworth
- Premium bonus decreases
- Very low caps / credited rates

FIA GLWB Competitive landscape as of January 2012

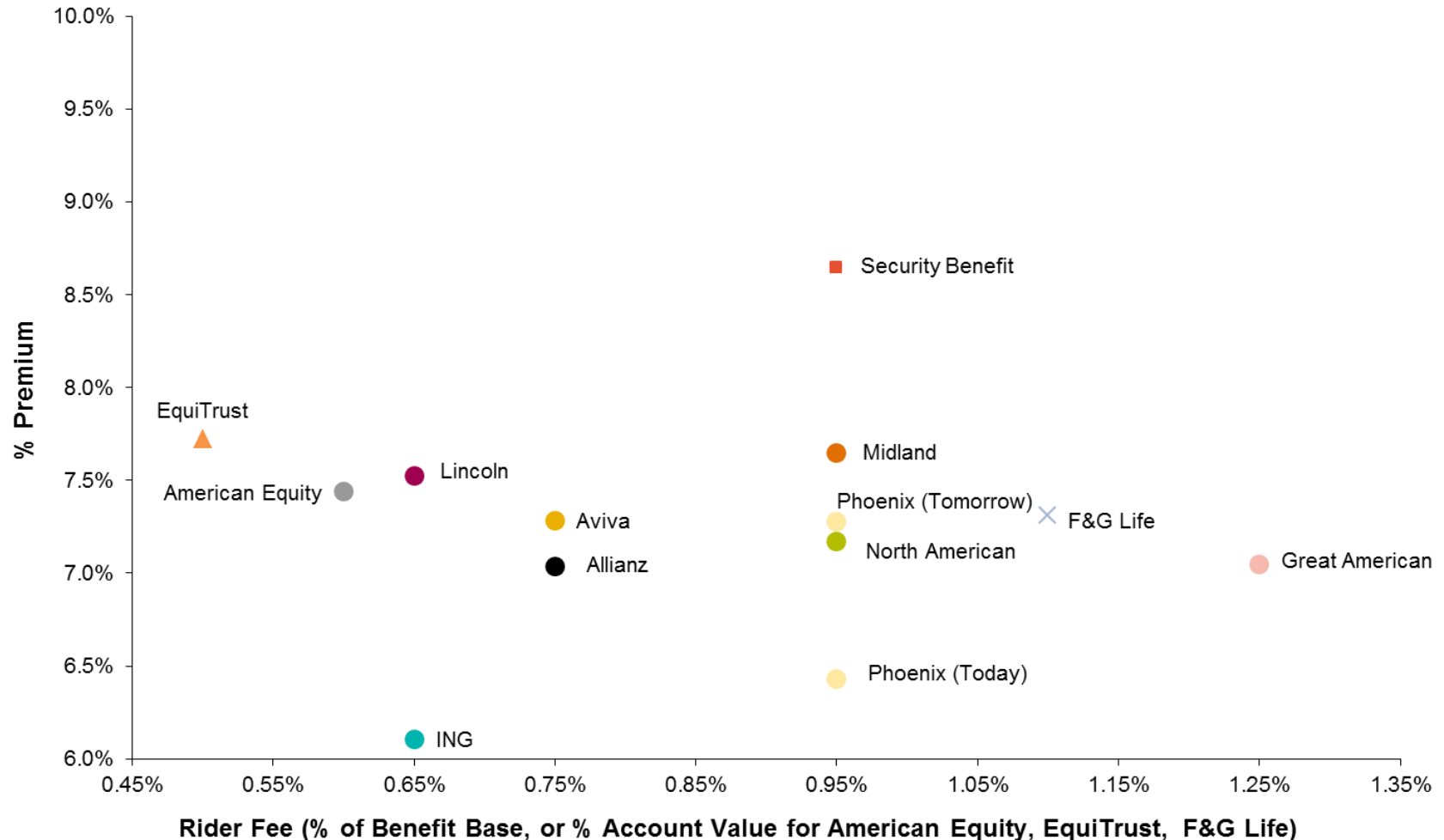
Average Guaranteed Withdrawal Rates in January 2012



Average of effective withdrawal rates (includes impact of bonuses and rollups) for 1) issue age 55, wait 5 years, 2) issue age 65, immediate 3) Issue age 60, wait 5 years and 4) Issue age 60, wait 10 years

FIA GLWB Competitive landscape as of June 2012

Average Guaranteed Withdrawal Rates in June 2012



Average of effective withdrawal rates (includes impact of bonuses and rollups) for 1) issue age 55, wait 5 years, 2) issue age 65, immediate 3) Issue age 60, wait 5 years and 4) Issue age 60, wait 10 years

Pricing and Risk Management Topics

Pricing and Risk Management Topics – Variable Annuities

- Product changes
- Hedging
- Pricing methodology
- Financial modeling
- Policyholder behavior assumptions
- Inforce management (e.g., “buyouts”)
- Carriers exiting
- M&A

Pricing and Risk Management Topics – Indexed Annuities

- Product changes
- Statutory reserving for GLWB
- Asset liability management
- Assumption benchmarking
 - GLWB-related assumptions
 - Dynamic lapses
- Financial modeling
- New entrants
- M&A

Contact

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