Investors Flee Equity Market For Safe Haven Of Annuities

January 13, 2009: 09:45 AM ET

DOWJONES

CHICAGO -(Dow Jones)- The falling stock market, combined with near record low interest rates, has made it tough for Baby Boomers to find a safe place to stash their retirement savings.

More are turning to immediate annuities as a higher-paying alternative to bank certificates of deposit, while more are turning to deferred annuities, said the retirement chief of New York Life Insurance Co., one of the biggest annuity sellers.

"People are flocking to safety, that is clearly happening" said Chris Blunt, a senior vice president at New York life in charge of the insurers retirement income security business. "You have had a whole generation of investors pretty scared, first by the tech wreck of 2000, now this, they are realizing there has to be a better way."

In 2008, New York Life's total sales of income annuities topped $1.2 billion, up from $893 million in 2007, the company said Tuesday. The company also sold $ 9.35 billion in investment annuities in 2008, up from $6.18 billion in 2007 for all investment annuities, including fixed and variable deferred products.

One factor helps New York Life is its stable triple-A credit rating amid credit uncertainty and downgrades for many of its competitors, Blunt said.

Standard and Poor's said in a Monday report that it expects to take negative rating or outlook actions on several life insurers in the next six months. S&P currently has a stable outlook on the ratings of around 70% of the life insurers it rates, but it expects to revise several to negative in the next few months.

Share prices of many life insurers have plummeted in recent months, reducing the fees they will earn from assets under management and reducing the value of their own investments, putting some in a capital squeeze. The Dow Jones Life Insurance Index (DJUSIL) has dropped 11.9% so far in January, and almost 57% in the last 12 months, the worst insurance segment performance.

Steven Weisbart, chief economist of the Insurance Information Institute, an industry trade group, said the falling stock market will likely drive more people to annuities in search of guarantees that limit downside and promise a minimum rate of return.

Blunt said the income annuities, which offer immediate payments, currently offer a significantly higher interest rate than certificates of deposit, which is attractive to buyers as CD rates drop along with interest rates.

"We are getting some CD money and some that would be going into the stock market" in the past, Blunt said. "You have a whole bunch of people whose portfolios are 30% underwater, and who find it difficult to envision how they will meet their goals."

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