

A product that 'no one likes' sold over \$235 billion in 2014

By Editorial Staff Tue, Feb 24, 2015

Americans contributed \$12.4 billion to immediate or deferred income annuities in 2014, and \$48.2 billion to indexed annuities, many of which had income riders, according to LIMRA. VA sales fell to \$140 billion.

Record sales of indexed and income annuities helped raise overall annuity sales volume to \$235.8 billion in 2014, a three percent increase over the previous year, according to LIMRA Secure Retirement Institute's *Fourth Quarter 2014 U.S. Annuity Sales Survey*.

Fourth quarter annuity sales were \$58.1 billion, 6% lower than in the fourth quarter of 2013. The drop was attributed to lower interest rates.

Annuity Industry Estimates						
(Dollars in billions)						
	Q4 2014	Q4 2013	Pct Chg Q4/Q4	YTD 2014	YTD 2013	Pct Chg 2014/2013
Variable						
Separate accounts	27.5	29.4	-6%	112.3	115.8	-3%
Fixed accounts	6.7	7.0	-4%	27.8	29.6	-6%
Total Variable	34.2	36.4	-6%	140.1	145.4	-4%
Fixed						
Fixed-rate deferred	7.3	8.5	-14%	29.7	29.3	1%
Book value	4.9	6.4	-23%	21.1	21.8	-3%
Market value adjusted	2.4	2.1	14%	8.6	7.5	15%
Indexed	12.2	11.9	3%	48.2	39.3	23%
Fixed deferred	19.5	20.4	-4%	77.9	68.6	14%
Deferred income	0.68	0.71	-4%	2.7	2.2	22%
Fixed immediate	2.3	2.6	-12%	9.7	8.3	17%
Structured settlements	1.5	1.4	1%	5.4	5.3	3%
Total Fixed	23.9	25.1	-5%	95.7	84.4	13%
Total	\$58.1	\$61.5	-6%	\$235.8	\$229.8	3%
Industry estimates reported for the fourth quarter 2014 based upon data from 60 companies, representing 96 percent of total sales.						

Source: LIMRA Secure Retirement Institute, U.S. Individual Annuity Sales Survey (2014, 4th quarter)

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While variable annuities still accounted for about 60% of total annuity sales in 2014, VA premiums fell 4%, to \$140.1 billion—their lowest annual sales since 2009. VA sales, which occur mainly in the federally regulated broker/dealer channel, were \$34.2 billion in the fourth quarter, down 6% percent from prior year.

Indexed annuity sales, which are sold in the state-regulated insurance channel, reached \$48.2 billion in 2014, up 23% (\$9 billion) over 2013, accounting for more than half of all sales of fixed annuities for the first time. Indexed annuity sales were \$12.2 billion in the fourth quarter, up three percent from the year-ago quarter.

Overall fixed annuity sales were \$95.7 billion in 2014, up 13% from 2013. In the fourth quarter, total fixed annuities fell 5%, to \$23.9 billion.

Immediate income annuity sales rose 17% in 2014, to \$9.7 billion, but fell 12% in the fourth quarter, to \$2.3 billion, compared to the fourth quarter of 2013. LIMRA Secure Retirement Institute analysts attribute the fourth quarter decline to lower interest rates.

"In the run up to the fourth quarter of 2013 interest rates were trending upward, reaching over 3% at year-end," a LIMRA release said. "In the fourth quarter of 2014, [benchmark] interest rates dropped a third of point, falling to 2.17% at the end of 2014."

Sales of deferred income annuities (DIAs) reached a record \$2.7 billion in 2014, a 23% gain from 2013. Like immediate annuities, DIAs suffered from falling interest rates in the fourth quarter. DIA sales were \$680 million in the fourth quarter 2014, 4% below 2013.

Sales of fixed-rate deferred annuities (Book Value and MVA) rose one percent in 2014, to \$29.7 billion. Fixed-rate deferred annuity sales fell 14% in the fourth quarter, to reach \$7.3 billion.

Top twenty rankings of total, variable and fixed annuity writers will be posted in mid-March after the last earnings call of survey participating companies. LIMRA Secure Retirement Institute's fourth quarter U.S. Individual Annuities Sales Survey represents data from 96%.

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