
After a Hot 2nd Quarter, Will Annuity Sales Rise This Fall?

By Editorial Staff *Wed, Sep 29, 2021*

Except for the fourth quarter of 2008, during the Great Recession, quarterly annuity sales have never higher, according to the Secure Retirement Institute (SRI) US Individual Annuity Sales Survey.

The second quarter of 2021—a period of mild relief from COVID fears and repressed interest rates—saw a big rebound annuity sales.

Total US annuity sales reached \$68.2 billion in the quarter, up 40% from the COVID-stricken second quarter of 2020. Except for the fourth quarter of 2008, during the Great Recession, quarterly annuity sales have never higher, according to the Secure Retirement Institute (SRI) US Individual Annuity Sales Survey.

In the first half of 2021, total annuity sales increased 23% from the same period in 2020, to \$129.2 billion.

“SRI attributes the remarkable sales in the second quarter to strong economic conditions and consumer pent-up demand after more than a year of living with the uncertainty of the pandemic,” said Todd Giesing, assistant vice president, SRI Annuity Research. “Early indicators suggest third quarter sales will be more in line with first quarter 2021 results, given the resurgence of the pandemic over the summer and falling interest rates.”

AIG was the overall largest seller of annuities, with \$9.7 billion in combined sales of fixed (\$5.63 billion) and variable (\$4.1 billion) annuities, including \$3.1 billion in fixed indexed products. Jackson National trailed by a hair with \$9.6 billion in total annuity sales; almost all of those sales coming from variable annuities. New York Life was the top seller of fixed-rate deferred annuities (\$4.4 billion), of payout annuities (\$1.2 billion), and closely followed AIG in total fixed annuity sales, at \$5.61 billion.

Total variable annuity (VA) sales [including traditional VAs and registered index-linked annuities or RILAs] were \$32.7 billion for the second quarter 2021, up 55% from second quarter 2020. Year to date (YTD), total VA sales rose 33% to \$62.7 billion. First half 2021 VA sales logged the highest sales totals since 2015.

U.S. Annuity Second Quarter 2021 Sales Estimates

| Variable | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | YTD 2020 | Full Year 2020 | Q1 2021 | Q2 2021 | YTD 2021 | Q2 2021 / Q1 2021 | Q2 2021 / Q2 2020 | YTD 2021 / YTD 2020 |
|-----------------------------|-------------|-------------|-------------|-------------|--------------|----------------|-------------|-------------|--------------|-------------------|-------------------|---------------------|
| Traditional Variable | 21.1 | 16.6 | 17.7 | 19.2 | 37.7 | 74.5 | 20.9 | 22.7 | 43.5 | 9% | 37% | 15% |
| Registered Index-Linked | 4.9 | 4.5 | 6.3 | 8.4 | 9.4 | 24.1 | 9.2 | 10.0 | 19.2 | 10% | 121% | 104% |
| Total Variable | 26.0 | 21.1 | 23.9 | 27.6 | 47.1 | 98.6 | 30.0 | 32.7 | 62.7 | 9% | 55% | 33% |
| Fixed | | | | | | | | | | | | |
| Fixed-rate deferred | 9.8 | 12.8 | 15.8 | 13.7 | 22.6 | 52.1 | 14.6 | 16.0 | 30.6 | 10% | 25% | 35% |
| Indexed | 16.2 | 12.0 | 13.2 | 14.1 | 28.2 | 55.5 | 13.5 | 16.5 | 30.0 | 22% | 38% | 6% |
| Fixed deferred | 26.0 | 24.8 | 29.0 | 27.8 | 50.8 | 107.6 | 28.1 | 32.5 | 60.6 | 16% | 31% | 19% |
| Fixed immediate | 1.9 | 1.4 | 1.4 | 1.6 | 3.3 | 6.3 | 1.5 | 1.4 | 2.9 | -7% | 0% | -12% |
| Deferred Income | 0.47 | 0.35 | 0.42 | 0.45 | 0.82 | 1.70 | 0.42 | 0.51 | 0.93 | 20% | 44% | 13% |
| Structured settlements | 1.5 | 1.2 | 1.0 | 1.1 | 2.7 | 4.8 | 1.0 | 1.1 | 2.1 | 5% | -13% | -24% |
| Total Fixed | 29.9 | 27.8 | 31.8 | 31.0 | 57.6 | 120.4 | 31.0 | 35.5 | 66.5 | 14% | 28% | 15% |
| Total U.S. Annuities | 55.9 | 48.9 | 55.7 | 58.6 | 104.7 | 219.0 | 61.0 | 68.2 | 129.2 | 12% | 40% | 23% |

\$ in billions

Source: Secure Retirement Institute, U.S. Individual Annuity Sales Survey, Second Quarter 2021



Traditional VA sales grew 37% to \$22.7 billion in the second quarter. YTD, traditional VA sales were \$43.5 billion, up 15% from 2020. In the second quarter, RILA sales topped \$10 billion, more than doubling (121%) the sales in the second quarter of 2020. In the first half of 2021, RILA sales were \$19.2 billion, up 104% from prior year.

VA sales were driven by strong market growth and increased consumer interest in tax-deferred investment options, LIMRA said, and RILA sales just continued to surge. Their options-based protected growth formula—more upside than a fixed indexed annuity, more downside protection than a variable annuity—continues to resonate with distributors and investors. They pose less risk to the issuer than variable annuities with living benefits, the once-favorite product of large publicly traded life insurers.

“While growth in the independent and national broker-dealer channels doubled, this quarter RILA sales also grew substantially in the career channel — up 183% — as more companies with career forces entered the market,” noted Giesing. “This expansion in distribution will contribute to continued RILA sales growth. SRI is forecasting RILA sales to be between \$35 billion and \$40 billion in 2021.”

Fixed indexed annuity (FIA) sales totaled \$16.5 billion in the second quarter, 38% higher than prior year. YTD, FIA sales were \$30 billion, improving 6% over the first half of 2020. All distribution channels recorded double-digit growth in the second quarter with sales in banks (up 84%), independent broker-dealers (BDs) (up 53%) and national full-service BDs (up 63%) rising most.

“Increased interest rates in the second quarter benefited FIA sales as companies were able to raise cap rates making the product more attractive to investors,” said Giesing. “While interest rates have dropped off in the third quarter, we believe some of the product innovation introduced by carriers will allow FIA sales to continue to grow through the end of the 2021.”

Life insurers affiliated with private equity or alternative asset managers continue to thrive in the FIA space. Of the top 12 sellers of FIAs in the first half of 2021, seven were PE-affiliated: Athene, the top seller, Global Atlantic, Fidelity & Guaranty, American Equity Investment Life, Security Benefit Life, Equi-Trust, and Delaware Life.

Fixed-rate deferred annuity sales were \$16 billion in the second quarter, up 25% from second quarter 2020. In the first six months of 2021, FRD annuity sales totaled \$30.6 billion, up 35% from 2020. SRI expects sales to level off in the second half of 2021 but year-end sales results should be at least \$45 billion.

Immediate income annuity sales were \$1.4 billion in the second quarter, level with second quarter 2020. Year to date, immediate income annuity sales were \$2.9 billion, down 12% from prior year results.

Deferred annuity (DIA) sales increased 44% to \$510 million in the second quarter. In the first half of 2021, DIA sales were \$930 million, 13% higher than prior year.

Total fixed annuity sales rose 28% in the second quarter to \$35.5 billion. Year to date, total fixed annuity sales were \$66.5 billion, 15% above the first half of 2020.

Additional information can be found in LIMRA’s Fact Tank.

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