Annuity sales dip 9% in 3Q2021 from prior quarter

By Editorial Staff *Thu, Nov 18, 2021*

Sales of all annuities in the US were $62.3 billion in the third quarter of 2021, down 9% from the previous quarter but up 12% from 3Q2020. Sales of registered index-linked annuities (structured variable annuities) continue their sharp rise.

Total U.S. annuity sales were $62.3 billion in the third quarter, up 12% from third quarter 2020. Year-to-date, annuity sales increased 19% to $191.4 billion, according to results from the Secure Retirement Institute (SRI) US Individual Annuity Sales Survey

“Nearly half of all retail annuity sales (49%) used non-qualified assets,” said Todd Giesing, assistant vice president, director of SRI Annuity Research. “Generally, non-qualified annuity sales have held about 42% of the retail market in the past 10 years. We are seeing significant increases in non-qualified sales through all deferred annuity product lines, a key indication that tax deferral is a significant driver of growth in 2021.”

Total variable annuity (VA) sales were $30.6 billion in the third quarter, up 28% from prior year. Total VA sales were $93.3 billion in the first three quarters of 2021, 31% higher than prior year.

Fee-based VA sales were $1.2 billion in the third quarter, up 44% from prior year. This marks the first time there has been four consecutive quarters of $1 billion+ in fee-based VA product sales. In the first nine months of 2021, fee-based VA sales were $3.6 billion, 60% higher than prior year.

“The growth in fee-based VA sales were driven by registered investment advisors and broker dealers,” said Giesing. “We believe increased interest in tax deferral coupled with technology solutions aiding operational challenges are playing a role in the rise of VA fee-based products.”

Traditional VA sales were $21.4 billion in the third quarter, a 21% increase from third quarter 2020. Year-to-date, traditional VA sales totaled $64.9 billion, up 17% from prior year. By year-end, SRI is projecting traditional annuities will surpass expectations, with nearly 20% in growth.

Registered index-linked annuity (RILA) sales were $9.2 billion, up 47% from third quarter 2020. For the first three quarters of 2021, RILA sales were $28.4 billion; 81% higher than prior year.

U.S. Annuity Third Quarter 2021 Sales Estimates

Variable	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YTD 2020	Full Year 2020	Q1 2021	Q2 2021	Q3 2021	YTD 2021	Q3 2021 / Q2 2021	Q3 2021 / Q3 2020	YTD 2021 / YTD 2020
Traditional Variable	21.1	16.6	17.7	19.2	55.3	74.5	20.9	22.7	21.4	64.9	-6%	21%	17%
Registered Index-Linked	4.9	4.5	6.3	8.4	15.7	24.1	9.2	10.0	9.2	28.4	-8%	47%	81%
Total Variable	**26.0**	**21.1**	**23.9**	**27.6**	**71.0**	**98.6**	**30.0**	**32.7**	**30.6**	**93.3**	**-6%**	**28%**	**31%**
Fixed													
Fixed-rate deferred	9.8	12.8	15.8	13.7	38.4	52.1	14.6	16.0	11.5	42.1	-28%	-27%	10%
Indexed	16.2	12.0	13.2	14.1	41.4	55.5	13.5	16.5	17.1	47.1	4%	30%	14%
Deferred income	0.47	0.35	0.42	0.45	1.24	1.70	0.42	0.51	0.51	1.4	0%	22%	16%
Fixed immediate	1.9	1.4	1.4	1.6	4.7	6.3	1.5	1.4	1.5	4.4	7%	7%	-6%
Structured settlements	1.5	1.2	1.0	1.1	3.7	4.8	1.0	1.0	1.1	3.1	10%	10%	-16%
Total Fixed	**29.9**	**27.8**	**31.8**	**31.0**	**89.4**	**120.4**	**31.0**	**35.4**	**31.7**	**98.1**	**-10%**	**0%**	**10%**
Total U.S. Annuities	**55.9**	**48.9**	**55.7**	**58.6**	**160.4**	**219.0**	**61.0**	**68.1**	**62.3**	**191.4**	**-9%**	**12%**	**19%**

$ in billions

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

Secure Retirement INSTITUTE

"Over the past five years, RILA sales have jumped ten-fold, driven by market conditions, new carriers entering the market and expanded distribution," noted Giesing. "As investors continue to seek investment growth with a layer of protection, we expect this trajectory to continue. SRI projects sales to exceed forecasted expectations, with 2021 sales exceeding $36 billion."

Total fixed annuity sales were $31.7 billion, level with third quarter 2020 results. Year-to-date (YTD), total fixed annuities grew 10% to $98.1 billion.

Third quarter fixed indexed annuity (FIA) sales were the highest levels in two years. FIA sales increased 30% in the third quarter to $17.1 billion. FIA sales were $47.1 billion in the first nine months, up 14% from prior year. About one-half of one percent of FIA sales are mediated by fee-based advisers, such as Registered Investment Advisors, SRI said.

"Growing concerns about inflation should boost FIA sales in the coming months as investors seek principal protection with greater investment growth to offset rising inflation," said Giesing. "SRI is anticipating FIA sales will surpass expectations, growing to over $60 billion by year-end."

Fixed-rate deferred annuity sales fell to $11.5 billion, down 27% from third quarter 2020. YTD, fixed-rate deferred sales totaled $42.1 billion, 10% higher than prior year.

"While fixed-rate deferred annuity sales dropped in the third quarter, these products still offer competitive rates, compared with other short-duration investment options available in

the market today," Giesing said. "SRI predicts annual sales of fixed-rate deferred annuities will remain strong until 2025, as more than $150 billion in existing fixed-rate deferred contracts come due."

Despite the modest increase in interest rates, immediate income annuity sales remain well below sales levels two years ago. Immediate income annuity sales were $1.5 billion in the third quarter, up 7% from third quarter 2020. In the first nine months of 2021, immediate income annuity sales were $4.4 billion, down 6% from prior year.

Third quarter deferred income annuity (DIA) sales were $510 million, a 22% increase from third quarter 2020. Year-to-date, DIA sales were $1.4 billion, 16% higher than in the same period of 2020.

© 2021 RIJ Publishing LLC. All rights reserved.