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## **Annuity sales reach 12-year high in 2019**

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By Editorial Staff      Thu, Feb 20, 2020

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Total annuity sales for 2019 were \$241.7 billion, up 3% from 2018 and the highest annual annuity sales recorded since 2008, according to the Secure Retirement Institute's (SRI) Fourth Quarter U.S. Annuity Sales Survey. Sales in the fourth quarter were \$57.6 billion, down 8% from 4Q2018.

The positive numbers were driven by sales of deferred fixed rate and fixed indexed annuities, which together represented 58% of annuity sales in 2019. Total fixed sales in 2019 were \$139.8 billion, up 5% from 2018. That broke the previous record of \$133.5 billion despite a weak fourth quarter when sales dropped 18% to \$30.8 billion.

"Fixed annuity sales have driven the overall growth for the annuity market over the past four years," said Todd Giesing, director, Annuity Research, SRI (formerly LIMRA SRI), in a release. "Much of the overall growth in the fixed market can be attributed to the continued growth in the fixed indexed annuity market (FIA).

"FIA sales have increased 11 of the past 12 years, accounting for more than half of the fixed annuity market sales," he added. For the year, FIA sales were \$73.5 billion, up 6% from 2018 results. This surpasses the sales record for FIA sales set in 2018.

"Falling interest rates in the third quarter dampened fixed product sales in the second half of the year," Giesing said. "Most fixed products experienced declines in the fourth quarter, pulling down total annuity sales results for the quarter."

In the second half of 2019, Federal Reserve chair Jerome Powell announced three quarter-point cuts in the benchmark Fed funds rate. President Trump had openly pressured Powell for looser monetary policy despite the apparently booming U.S. economy. Rate cuts generally help the stock market but hurt the annuity market.

In the fourth quarter, FIA sales were \$16.9 billion, down 13% from prior year's results. SRI researchers attributed the drop to low interest rates and competition from registered index-linked annuities, which offer a similar value proposition.

Fee-based indexed annuity sales continue to fall. In the fourth quarter, fee-based FIA sales were \$140 million, down 17% from prior year. Even though fee-based products represent less than 1% of the total FIA market, this trend bodes poorly for life insurers, who are eager to grow sales among the growing numbers of advisers who charge only for advice and don't sell products or take commissions from annuity issuers.

Fixed-rate deferred annuity sales dropped 29% in the fourth quarter to \$9.4 billion. But thanks to a strong first half, fixed-rate deferred annuity sales totaled \$47.5 billion for the year, up 4% from 2018. This is the highest level of fixed rate deferred sales since the financial crisis.

Single premium income annuity (SPIA) sales were \$9.9 billion in 2019, up 2% from the sales record set in 2018. The record sales came despite a drop of 22% in the fourth quarter, to \$2.1 billion. Deferred income annuity (DIA) sales fell 20% in the fourth quarter, to \$527 million. For the year, DIA sales totaled \$2.5 billion, up 8% from 2018.

For the third consecutive quarter, variable annuity (VA) sales recorded positive growth. VA sales were \$26.8 billion in the fourth quarter, up 8%, from 2018. VA sales were \$101.9 billion for the year, up 2% from 2018. This is the second consecutive year of annual growth.

Sales of registered index-linked annuity products (RILAs) drove growth in the VA market. In the fourth quarter, RILA sales were \$4.9 billion, 39% higher than in the same period in 2018.

"When you look at VA sales excluding RILAs, VA sales dropped 5% in 2019, compared to the 8% increase recorded with RILAs included," said Giesing. "One driver of growth in the RILA market is GLB riders. More than \$400 million of fourth quarter RILA sales were with GLB riders, representing 8% of the total RILA market." In 2019, RILA sales were \$17.4 billion, representing 17% of the VA market.

Fee-based VA sales were \$850 million in the fourth quarter, 5% higher than prior year. This matches the record sales experienced in the second quarter 2018. For the year, fee-based VAs totaled \$3.0 billion, which is 5% lower than 2018 results. Fee-based VAs represent just 3% of the total VA market.