
Expect RILAs to outsell FIAs by 2024: Wink

By Editorial Staff Thu, May 6, 2021

'At the current pace, sales of structured annuities (aka registered index-linked annuities or RILAs) will have climbed higher than those of indexed annuities at a comparable point in the product life cycle,' said Wink president Sheryl Moore.

Low interest rates and market volatility continued to hurt annuities in the fourth quarter of 2020. Only multi-year guaranteed rate annuities (MYGAs) and structured annuities escaped double-digit declines from 2019; they each posted double-digit increases in sales, according to Wink's 4Q 2020 sales report, released this week.

Indexed annuity sales were up from 3Q 2020, but well under the near-record sales in 4Q 2019. Fixed annuity sales were the lowest since Wink began tracking them in 2015. The uptick in the 10-Year Treasury yield since the start of 2021 should drive sales of MYGAs higher, but probably won't help sales of traditional one-year fixed rate annuities, a Wink release said.

While MYGA sales were up from 4Q 2019, and from 2019 overall, four of the ten best-selling MYGA issuers saw sales declines ranging from 41.6% to 80.9%. Wink's review shows that life insurers with private-equity ownership now account for 25% of the MYGA market. "Expect these companies to focus more on the indexed annuity market, once option costs become less prohibitive," said Wink founder Sheryl Moore in a release this week.

Structured annuity products, a category only a decade old, continue to enjoy rising sales. At the current pace, sales of this category will have climbed higher than those of indexed annuities at the same point in the product life cycle.

With sales of structured annuities (aka registered index-linked annuities or RILAs) expected to increase again in 2021, more life insurers will develop their own versions of the products, Wink said. Competition will make the product more complex. Development will focus on new indexing methods and new indices, as well as risk-management methods inside hybrid indexes. At the current pace, structured annuities will outsell indexed annuity sales before 2024.

Variable annuity (VA) sales rose from the third quarter, but most life insurers are pulling back their sales of VAs or exiting the category entirely to escape the burden of reserving for the risks posed by products' lifetime income benefits ("living benefits").

4Q 2020 sales highlights

- Total deferred annuity sales for the fourth quarter of 2020 were \$56.31 billion. Sales were up 3.87% from 3Q 2020 and up 5.59% from 4Q 2019, but year-over-year sales of all deferred annuities in 2020 fell 5.79%, to \$209.14 billion.
- At \$28.77 billion, total non-variable deferred annuity sales were down 6.96% from the third quarter but up 7.06% greater than in 4Q 2019. Annual sales of all non-variable deferred annuities in 2020 fell 7.95%, to \$112.58 billion.
- Indexed annuity sales for the fourth quarter of 2020 closed at \$15.08 billion. That was up 9.33% from the third quarter but down 12.11% from the same period in 2019. Year-over-year sales of indexed annuities fell 20.67%, to \$58.14 billion.
- Fixed annuity sales 2020 closed at \$474.13 million, down 2.95% from the third quarter and down 31.43% from 4Q 2019. Year-over-year sales of fixed annuities fell 35.8%, to \$2.07 billion.
- Multi-year guaranteed annuity (MYGA) sales in 4Q 2020 were \$13.22 billion, down 20.58% from the third quarter but up 44.71% from 4Q 2019. Annual sales of MYG annuities in 2020 rose 12.68%, to \$52.35 billion.
- Total variable deferred annuity sales in 4Q 2020 were \$27.53 billion, up 18.25% from the third quarter and up 4.52% from 4Q 2020. Annual sales of all variable deferred annuities in 2020 fell 2.47%, to \$96.56 billion.
- Structured annuity sales for the fourth quarter of 2020 were up, closing at \$8.41 billion. Sales were 34.59% greater than the third quarter and 70.80% greater in 4Q 2019. Annual sales of structured annuities in 2020 rose 38.35%, to \$24.06 billion.
- “This was a record-setting quarter for structured annuity sales, topping the 3Q2020 record by nearly 35%,” Moore said. “It was also a record-setting year, with sales topping the 2020 record by more than 38%.”
- At \$19.11 billion, VA sales for the fourth quarter of 2020 were up 12.26% from the third quarter but down 10.72% from 4Q 2019. Annual sales of variable annuities in 2020 fell 11.17%, to \$72.49 billion.