
Fixed annuities outsell variable in second quarter: IRI

By Editorial Staff Thu, Sep 14, 2017

'While total variable annuity sales rose slightly,' said John McCarthy, Senior Product Manager at Morningstar, "the largest increases were in non-qualified sales. We are also seeing growth in newer investment-oriented products such as structured annuities.'

Industry-wide annuity sales totaled \$50.4 billion in the second quarter of 2017, up 2.4% from \$49.2 billion in the first quarter but down 9.8% from \$55.9 billion in the second quarter a year ago, according to the Insured Retirement Institute, Beacon Research, and Morningstar, Inc.

Variable annuity total sales were \$23.7 billion in the second quarter of 2017, up 1.7% from \$23.3 billion in the prior quarter and down 10.2% from \$26.4 billion in the second quarter of 2016, according to Morningstar.

Fixed annuity sales during the second quarter of 2017 rose to \$26.7 billion, up 3.1% from \$25.9 billion during the first quarter and down 9.5% from \$29.5 billion during the second quarter of 2016, according to Beacon Research.

The increase in total fixed annuity sales was led by sales of fixed indexed products (FIA) and income annuities. FIA sales rose 10% to \$14.9 billion from \$13.6 billion in the first quarter of 2017. Sales were down 7.1% from \$16.1 billion in the second quarter of 2016, however. Sales of income annuities rose to \$2.8 billion, up 11% from \$2.5 billion in the first quarter.

Combined sales of book value and market value adjusted (MVA) annuities were \$9.0 billion, down 7.7% from \$9.8 billion in the first quarter and down 8.9% from \$9.9 billion in the second quarter 2016. For the entire fixed annuity market, there were approximately \$15.1 billion in qualified sales and \$11.6 billion in non-qualified sales during the second quarter of 2017.

Variable annuity net assets rose 1.8% to \$1.98 trillion during the second quarter of 2017, according to Morningstar. On a year-over-year basis, assets increased 5.1%, from \$1.88 trillion at the end of the second quarter of 2016, as positive market performance offset lower sales and negative net flows.

Net flows in variable annuities were negative \$14.8 billion in the second quarter. Within the variable annuity market, there were \$15.3 billion in qualified sales and \$8.4 billion in non-qualified sales during the second quarter of 2017. Qualified sales fell 1.8% from first quarter sales of \$15.6 billion, while sales of non-qualified variable annuities rose 8.6% from first quarter sales of \$7.7 billion.

"While total variable annuity sales rose slightly," said John McCarthy, Senior Product Manager at Morningstar, "the largest increases were in non-qualified sales. We are also seeing growth in newer investment-oriented products such as structured annuities. These products offer tax deferral, growth potential and downside protection, and the ability to selectively convert account value to guaranteed lifetime income.

“Sales of structured variable annuities are on the rise, climbing to \$1.6 billion in the second quarter of 2017, or 6.7% of total variable annuity sales, as compared to \$1.2 billion, or 4.5% of sales, in the second quarter of 2016.” AXA, Brighthouse and Allianz Life are prominent sellers of structured variable annuities.

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