
Indexed annuity sales hurt by fiduciary rule: LIMRA SRI

By Editorial Staff Thu, Feb 23, 2017

'Until there is some clarity on the DOL fiduciary rule, the Institute expects sales to continue to drop in 2017,' said Todd Giesing, assistant research director of the LIMRA Secure Retirement Institute.

Despite tailing off in the fourth quarter, total fixed annuity sales hit a record-breaking \$117.4 billion in 2016, 14% higher than in 2015 and nearly \$7 billion higher than 2009 (when sales were last at their highest), according to LIMRA Secure Retirement Institute's *Fourth Quarter U.S. Annuity Sales* survey.

Fixed annuities finished the year poorly. Total fixed annuity sales fell 13% to \$25.7 billion in the fourth quarter compared with the same quarter in 2015. Sales of fixed-rate deferred annuities, (book value and MVA) fell 9%, to \$7.7 billion. Fixed indexed annuity (FIA) sales fell 13%.

"We have noticed FIA sales have declined quarter over quarter since the Department of Labor (DOL) reclassified FIAs under the best interest contract exemption. Until there is some clarity on the DOL fiduciary rule, the Institute expects sales to continue to drop in 2017," said Todd Giesing, assistant research director, LIMRA Secure Retirement Institute

But fixed-rate deferred annuities nonetheless finished 2016 up 25%, at \$38.7 billion, and FIAs hit record levels in 2016, up 12% to \$60.9 billion. The Institute expects sales to rebound in the first quarter 2017, responding to the post-election interest rate spike late in 2016.

"This marks the ninth consecutive year of growth for FIAs," Giesing said, but noted that fixed-rate deferred annuities saw the biggest gains of the year, rising 51% in 2016 from 2015.

"Unlike the last several years where indexed annuities propelled overall fixed annuity growth, in 2016, fixed-rate deferred was the primary driver of fixed sales in 2016. A large block of fixed-rate deferred annuities purchased in 2009 came due in the first half of the year, creating a significant amount of money in motion," he said.

Despite the 85 basis point jump in the 10-year Treasury interest rate, fixed immediate annuity sales fell 23% in the fourth quarter to \$2.0 billion. In 2016, fixed immediate income annuities grew 1% to \$9.2 billion. Deferred income annuity (DIA) sales fell 30% in the fourth

quarter to \$575 million. Year-over-year, DIA sales increased 4% to \$2.8 billion.

Total annuity sales were \$51.0 billion in the fourth quarter, falling 17% from the prior year. This is the third consecutive quarter of decline in overall annuity sales and the lowest quarterly sales since the first quarter 2002. For the year, total annuity sales fell 6% to \$222.1 billion.

“Until yields come up, consumers are going to resist giving up liquidity for the guaranteed income offered through income annuities,” said Giesing. “That said, demographics are in our favor, we expect slow steady growth in the income annuity market.”

VA sales were below \$30 billion every quarter of 2016. Sales totaled \$25.3 billion, down 20% in the fourth quarter from the same quarter in 2015. In the fifth consecutive year of VA sales declines, total sales were \$104.7 billion in 2016, down 21%, or \$28 billion, from 2015. VA sales are nearly \$80 billion lower than their peak in 2007 and are at lowest level since 1998.

“Aside from the DOL fiduciary rule, one of the factors driving VA sales declines has been a drop in sales of products with guaranteed living benefit riders,” noted Giesing. “LIMRA Secure Retirement Institute is expecting sales of variable annuities with a GLB rider to be around \$50 billion in 2016. This is a decrease of nearly \$20 billion from last year, and a drop of over 50% from just 5 years ago.”

To view LIMRA’s fourth quarter results, visit [2016 Annuity Industry Estimates](#). To view variable, fixed and total annuity sales over the past 10 years, visit [Annuity Sales 2007-2016](#). The Institute said it will release the top 20 annuity manufacturer rankings in mid-March, following the last scheduled earnings release from survey participants.

LIMRA Secure Retirement Institute’s fourth quarter U.S. Individual Annuities Sales Survey represents data from 96 percent of the market.

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