
Low interest rates shock sales of most annuities

By Editorial Staff Thu, Aug 20, 2020

Of major product lines, only registered index-linked annuities (RILAs) saw growth in 2Q2020. RILA sales were \$4.5 billion in the second quarter, up 8% from 2Q2019, according to LIMRA Secure Retirement Institute.

The Fed may have saved the stock market last spring with its zero interest rate policy, but the annuity market paid the price. Total annuity sales were \$48.6 billion in 2Q2020, down 24% from 2Q2019, according to the Secure Retirement Institute (SRI) U.S. Individual Annuity Sales Survey.

Registered index-linked annuities (RILAs) were the only major product line to record positive growth in the second quarter. RILA sales were \$4.5 billion in the second quarter, up 8% from second quarter 2019. This marks the 22nd consecutive quarter-over-quarter growth for RILA sales. Year-to-date, RILA sales were \$9.4 billion, up 22% from the first half of 2019.

“Bank sales of RILAs dropped 15% in the second quarter while independent and full-service national broker dealers’ sales increased 7% each and represented more than half of the RILA sales for the quarter,” said Todd Giesing, senior annuity research director, SRI, in a release. “Banks traditionally have a more conservative client base, which had them gravitate to other protection-based products in response to the unfavorable economic conditions.”

“The global pandemic presented unique challenges to annuity distribution in the second quarter,” said Giesing. “Aside from the economic impact, social distancing disrupted business operations for companies and advisors over the past three months. The focus this quarter was on protection-based solutions as equity market volatility had investors seeking safety.”

U.S. Individual Annuity Sales
2nd Quarter YTD 2020 (\$ in thousands)

Rank	Company name	Total	Company name	Variable	Company name	Fixed
1	Jackson National Life	8,452,306	Jackson National Life	7,253,757	New York Life	5,028,350
2	AIG Companies	6,965,325	Equitable Financial	5,248,989	AIG Companies	4,064,327
3	New York Life	6,933,036	Lincoln Financial Group	5,012,081	Massachusetts Mutual Life	3,864,804
4	Lincoln Financial Group	6,369,080	TIAA	4,580,000	Global Atlantic Financial Group	3,329,867
5	Equitable Financial	5,269,179	AIG Companies	2,900,998	Athene Annuity & Life	2,960,337
6	Allianz Life of North America	4,664,570	Brighthouse Financial	2,853,715	Allianz Life of North America	2,788,711
7	TIAA	4,580,000	Prudential Annuities	2,760,846	Sammons Financial Companies	2,764,421
8	Pacific Life	4,137,848	New York Life	1,904,686	Pacific Life	2,258,412
9	Massachusetts Mutual Life	4,065,711	Nationwide	1,894,000	Security Benefit Life	2,035,678
10	Nationwide	3,881,500	Pacific Life	1,879,436	Nationwide	1,987,500
11	Brighthouse Financial	3,502,096	Allianz Life of North America	1,875,858	Fidelity & Guaranty Life	1,858,202
12	Prudential Annuities	3,459,436	RiverSource Life Insurance	1,641,485	Great American	1,675,297
13	Global Atlantic Financial Group	3,367,367	Transamerica	1,434,018	Symetra Financial	1,615,248
14	Athene Annuity & Life	3,037,563	Thrivent Financial for Lutherans	1,059,302	Western Southern Group	1,565,144
15	Sammons Financial Companies	2,894,622	Fidelity Investments Life	719,662	Lincoln Financial Group	1,356,999
16	Security Benefit Life	2,109,420	CMFG Life Insurance Company	534,040	American Equity Investment Life	1,263,649
17	Fidelity & Guaranty Life	1,858,202	Northwestern Mutual Life	506,225	Jackson National Life	1,198,549
18	Great American	1,738,896	Principal Financial Group	201,056	Delaware Life	1,069,080
19	RiverSource Life Insurance	1,718,958	Massachusetts Mutual Life	200,906	Protective Life	1,005,861
20	Symetra Financial	1,704,282	Penn Mutual	160,905	EquiTrust Life	824,574
	Top 20	\$80,709,396		\$44,621,967		\$44,515,010
	Total industry	\$104,423,000		\$46,800,000		\$57,623,000
	Top 20 share	77%		95%		77%

Source: Secure Retirement Institute U.S. Individual Annuities Sales Survey

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Seeking shelter

Fixed-rate deferred annuity sales were \$12.8 billion, down 2% from prior year. However, fixed-rate deferred sales jumped 31% compared with first quarter 2020 results. Despite the rapid declines in interest rates, year-to-date fixed-rate deferred annuity sales totaled \$22.6 billion, down 20% from than prior year.

“While low interest rates dampened fixed-rate deferred annuity crediting rates, sales climbed from the first quarter as investors pursued short-term safety,” said Giesing. “We did see a significant shift in distribution in the second quarter, as the broker-dealer channels drove fixed-rate deferred sales growth.”

Broker-dealers accounted for 50% of fixed-rate deferred annuity sales in the second quarter, up 11 percentage points from 39% in the first quarter. Last year, broker dealer channels

only accounted for 29% of overall fixed-rate deferred sales. “This shift suggests Americans continue to be concerned about the economic impact of the pandemic and are seeking short-term solutions to preserve and protect their savings,” Giesing noted.

In the first six months of 2020, total annuity sales were \$104.4 billion, 16% lower than prior year.

Lowest VA sales since 1996

Despite the growth in RILA sales, total variable annuity (VA) sales dropped 19% in the second quarter to \$20.8 billion, representing the lowest quarterly VA sales since 1996. VA sales were \$46.8 billion in the first half of 2020, down 4% from the first half of 2019.

Total fixed annuity sales were \$27.8 billion, down 27% from prior year, driven by a significant drop in fixed indexed annuity (FIA) sales. Year-to-date, fixed annuities totaled \$57.6 billion, 24% lower than the first half of 2019.

FIA sales fell 40% to \$12 billion in the second quarter, representing the lowest quarterly total for FIAs since first quarter 2015. FIA sales declined 26% in the first half of 2020 to \$28.2 billion.

“In this continued ultra-low interest rate environment, accumulation-focused FIAs without guaranteed lifetime benefit riders (GLB) experienced a significant decline in the second quarter, down 42% compared with prior year,” noted Giesing. “FIA manufacturers continue to lower crediting rates, making other protection-based solutions, such as fixed-rated deferred and RILAs, more attractive.”

Low interest rates continue to inhibit income annuity sales. Single premium immediate annuities (SPIAs) were \$1.4 billion in the second quarter, 48% below sales in the second quarter of 2019. This is the lowest quarterly level of SPIA sales in 13 years. Year-to-date, SPIA sales were \$3.3 billion, down 40% compared with the first six months of 2019.

Deferred income annuity (DIA) sales were \$353 million in the second quarter, less than half of sales recorded in the second quarter of 2019. Year-to-date, DIA sales were \$823 million, 39% lower than prior year results.

Second quarter 2020 annuities industry estimates represent 95% of the total market. A summary of the results can be found in LIMRA’s [Fact Tank](#).

To view the top 20 rankings of total, variable and fixed annuity writers for the second quarter 2020, please visit [Second Quarter 2020 Annuity Rankings](#). To view the top 20 rankings of only fixed annuity writers for the second quarter 2020, please visit [Second Quarter 2020 Fixed Annuity Rankings](#).

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