
One bright spot in first quarter annuity sales

By Editorial Staff Thu, May 21, 2020

Whatever you call them, indexed variable annuities continue to experience a growth spurt. Jackson National led the industry with almost \$5 billion in first-quarter annuity sales.

Sales of structured indexed variable annuities (aka registered index-linked annuities or RILAs) were \$4.9 billion in the first quarter 2020, up 38% from the prior year, according to final results from the Secure Retirement Institute (SRI) U.S. Individual Annuity Sales Survey.

“Current market conditions favor RILA products more than fixed indexed annuities (FIA) as the increase in market volatility will help support crediting rates in RILAs,” said Todd Giesing, senior annuity research director, SRI, in a release today. “As a result, SRI is forecasting RILA sales to increase more than 10% in 2020 while FIA sales are expected to fall about 20%.”

Jackson National was the top seller of all types of annuities in the first quarter of 2020, with variable annuity sales of \$3.98 billion and total sales of just under \$5 billion. AIG Companies sold the most fixed annuities, with \$2.52 billion, just ahead of New York Life at \$2.37 billion. Total industry sales were \$55.87 billion, with the top 20 companies accounting for 77% of the total. For rankings, click [here](#).

Final FIA sales were \$16.2 billion, down 10% from first quarter 2019. This marks the third consecutive quarter of declines for FIAs. Continued low interest rates are expected to dampen FIA sales throughout the year. SRI is forecasting annual sales of \$60 billion or less, far below the record sales of \$73 billion set in 2019.

“Accumulation-focused FIAs without guaranteed lifetime benefit riders (GLB) experienced the greatest decline in the first quarter, down 13% compared with prior year,” Giesing said. “These products’ crediting rates continued to decline in the first quarter because of the unfavorable interest rates, which were further exacerbated by the significant rate drop in March.”

Sales of fixed-rate deferred annuities dropped 35% in the first quarter, to \$9.8 billion, compared with prior year. This was 4% higher than sales in the fourth quarter “as investors sought the principal protection these products offer,” the release said.

SRI predicts fixed-rate deferred annuity sales will benefit from investors seeking principal protection, which will keep sales even with 2019 levels despite the ultra-low interest rate environment.

“As we saw during the Great Recession, we expect fixed-rate deferred product sales to remain steady in the second quarter as consumers seek to protect their investment from market volatility and losses,” Giesing said.

Income annuity sales plunge

Total income annuity sales fell 29% in the first quarter of 2020, compared with first quarter of 2019. Falling interest rates have deterred investors from purchasing these products.

Sales of single premium immediate annuities (SPIA) totaled \$1.9 billion in the first quarter, down 32% from the first quarter of 2019. It was the lowest quarterly level of SPIA sales in nearly seven years. Deferred income annuities totaled \$470 million in the first quarter, down 26% from 2019.

SRI is forecasting income annuities to continue to contract in 2020, falling more than 35% from 2019 sales totals.

Total variable annuity sales were \$26.0 billion, up 14% in the first quarter due to RILA sales expansion, marking the fourth consecutive quarter of sales increases.

“Despite the market volatility in March, variable annuity sales performed well,” said Giesing. “There tends to be a lag between market conditions and sales so we expect to see the impact of March’s volatility in the second quarter.

“While RILAs are positioned to do well under these economic conditions and are expected to continue to perform well in 2020, SRI is forecasting overall variable annuity sales to drop 10% in 2020,” he added. “Sales of VA products in 2020 will mirror the trajectory we saw following the Great Recession. Market volatility and low interest rates will force companies to carefully manage their VA business, limiting sales — especially products with GLB riders.”

First quarter 2020 annuities industry estimates, representing 94% of the total market, can be found in LIMRA’s [Fact Tank](#).

To see the rankings of the top 20 annuity issuers for the first quarter of 2020, visit [First Quarter 2020 Annuity Rankings](#). For top 20 issuers of only fixed annuity writers for the first

quarter 2020, visit [First Quarter 2020 Fixed Annuity Rankings](#).

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