

## **'Pent-up demand' lifted annuity sales in 2Q2018**

By Editorial Staff      Thu, Sep 13, 2018

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Industry-wide annuity sales in the second quarter of 2018 totaled \$56.0 billion, a 15.9% increase from sales of \$48.3 billion during the first quarter of 2018, and a 12.3% increase over sales of \$49.9 billion in the second quarter of 2017, according to a report on 2Q2018 sales by the Insured Retirement Institute, Beacon Research and Morningstar, Inc.

On a year-to-date basis, total annuity sales were \$104.3 billion, a 5.8% increase of 2017 Q2 year-to-date sales of \$98.6 billion.

According to Beacon Research, fixed annuity sales during the second quarter of 2018 rose to \$31.9 billion, a 25.4% increase over sales of \$25.4 billion during the first quarter of 2018 and a 21.8% increase over sales of \$26.2 billion during the second quarter of 2017. Variable annuity total sales were \$24.1 billion in the second quarter of 2018, according to Morningstar. This was a 5.2% increase from sales of \$22.9 billion in the prior quarter and a 1.8% increase over sales of \$23.7 billion in the second quarter of 2017.

"IRI has remained confident that annuities sales would rebound due to pent up demand for these solutions," said IRI President and CEO Cathy Weatherford, in the release.

According to Beacon Research, fixed annuity sales strongly increased across all product types, with fixed indexed increasing sales by more than \$3.0 billion in the second quarter and book value annuities rising over \$2.0 billion, as compared to the first quarter of 2018. Fixed indexed annuity sales rose 20.8% to \$17.7 billion from \$14.6 billion in the first quarter of 2018, and 22.9% from second quarter 2017 sales of \$14.4 billion.

Book value and market value adjusted (MVA) annuities, combined sales of which were \$11.3 billion, rose 35.7% relative to first quarter sales of \$8.4 billion, and were also up 25.6% versus second quarter 2017 sales of \$9.0 billion. Income annuity sales also rose, posting sales of \$2.9 billion, an 18.1% increase over first quarter income annuity sales of \$2.5 billion. For the entire fixed annuity market, there were approximately \$17.7 billion in qualified sales and \$14.2 billion in non-qualified sales during the second quarter of 2018.

"The fixed annuity market saw record percentage increases across the board in the second

quarter,” said Beacon Research CEO Jeremy Alexander, “reflecting strong demand among advisors and consumers for safety and guaranteed income.”

According to Morningstar, variable annuity net assets rose 0.7% to \$1.97 trillion during the second quarter of 2018. On a year-over-year basis, assets fell 0.9%, from \$1.99 trillion at the end of the second quarter of 2017, as increasingly negative net flows overcame positive market performance. Net flow in variable annuities was -\$21.1 billion in the second quarter, up 14.6% from -\$18.4 billion in the first quarter of 2018. Within the variable annuity market, there were \$15.5 billion in qualified sales and \$8.6 billion in non-qualified sales during the second quarter of 2018. Qualified sales rose 7.0% from first quarter sales of \$14.5 billion, while sales of non-qualified variable annuities rose 2.2% from first quarter sales of \$8.4 billion.

“While negative net flows continue to weigh on total net assets,” said Michael Manetta, Senior Quantitative Analyst at Morningstar, “it is encouraging to see a solid rebound in overall sales of variable annuities, indicating that distributors are normalizing operations in the wake of the DOL fiduciary rule being vacated.”

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