

Record sales of indexed annuities brighten otherwise flat 2015

By Editorial Staff Thu, Apr 7, 2016

Fixed indexed annuity sales hit a new high of \$16.1 billion in the fourth quarter of 2015, up 11.9% from \$14.4 billion in the prior quarter and up 32.2% from sales of \$12.2 in the fourth quarter of 2014.

Industry-wide annuity sales in the fourth quarter of 2015 reached \$59.1 billion, a one percent increase from \$58.5 billion during the third quarter of 2015, and a 4.4% increase from \$56.6 billion in the fourth quarter of 2014, according to the Insured Retirement Institute, based on data gathered by Beacon Research and Morningstar, Inc.

For the full year, industry-wide sales reached \$228.8 billion in 2015, nearly unchanged from \$229.4 billion in 2014 and a 3.6% increase from \$220.9 billion in 2013.

Fixed annuity sales during the fourth quarter were \$28.2 billion, a 6.6% increase from \$26.5 billion during the third quarter of 2015 and a 22.5% increase from \$23 billion in the fourth quarter of 2014, according to Beacon. It was the highest mark since the first quarter of 2009. For full-year 2015, fixed annuity sales reached \$98.4 billion. This was a 7.5% increase from sales of \$91.5 billion in 2014.

Strong quarterly sales in the fixed indexed segment drove the higher overall fixed annuity sales, according to Beacon. Fixed indexed annuity sales hit a new high of \$16.1 billion in the fourth quarter of 2015, up 11.9% from \$14.4 billion in the prior quarter and up 32.2% from sales of \$12.2 in the fourth quarter of 2014.

Variable annuity total sales decreased to \$30.9 billion in the fourth quarter of 2015, according to Morningstar. This was a 3.6% decline from \$32 billion in the third quarter of 2015 and an 8% decline from \$33.6 billion in the fourth quarter of 2014. For full-year 2015, variable annuity total sales were \$130.4 billion, a 5.5% decline from \$137.9 billion in 2014. In each quarter but the second quarter of 2016, the VA industry experienced net outflows.

Income annuity sales also posted a new record in the fourth quarter, reaching \$3.7 billion. This is a 15.8% increase from sales of \$3.2 billion in the third quarter of 2015. For the entire fixed annuity market, there were approximately \$16.4 billion in qualified sales and \$11.9 billion in non-qualified sales during the fourth quarter of 2015.

For the full-year 2015, fixed annuity sales posted their strongest year since 2009. Again, this growth is largely attributed to the record growth in sales of fixed indexed annuities, which

reached \$54.6 billion in 2015. This is a 13.9% increase from sales of \$48 billion in 2014. For the full year, there were approximately \$55.1 billion in qualified sales and \$43.3 billion in non-qualified sales of fixed annuities.

“On a quarterly basis, fixed indexed and fixed income annuities hit new historical highs in Q4 2015, lifted by widening credit spreads, which allowed annuity manufacturers to offer more competitive credited rates and caps to policyholders,” Beacon Research President Jeremy Alexander said.

“Fixed sales ended 2015 up 7.9%, the third annual increase, and are up \$31.6 billion since 2012. On an annual basis fixed indexed and MVA sales led the way with 14% and 13% increases, respectively, from 2014 to 2015. In addition, since 2011, overall fixed and fixed indexed sales in particular have grown substantially. This growth occurred during a time when the 10-year Treasury never rose above 3% and the S&P 500 rose more than 65%.”

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