
Structured annuity (RILA) sales volume up 89% in 1Q2021: LIMRA SRI

By Editorial Staff *Thu, May 13, 2021*

'RILAs offer better pricing than indexed annuities to investors looking to mitigate downside risk and enjoy potential investment growth as the bull market continues,' said Todd Giesing of LIMRA Secure Retirement Institute.

In the first quarter 2021, total US annuity sales rose 9% from the year-ago quarter, to \$60.9 billion, according to preliminary results from the Secure Retirement Institute (SRI). The rise was attributed to higher interest rates and equity prices.

“The S&P 500 Index closed 6% higher at the end of the first quarter and the 10-year Treasury rate nearly doubled in the first three months of 2021, to 1.74%,” said Todd Giesing, assistant vice president, SRI Annuity Research, in a release. “While SRI expects the equity markets to continue to improve in 2021 and interest rates to experience slow growth, concerns about increased regulations may disrupt the market.”

Thanks to an 89% increase in sales of registered index-linked annuities (RILAs), to \$9.2 billion, first quarter variable annuity (VA) sales reached their highest point since 4Q 2015, at \$29.9 billion, 15% higher than in 1Q 2020. SRI expects VA sales to grow as much as 9% in 2021, and forecasts positive growth in this market through 2025.

“The current economic environment favors RILAs,” said Giesing. “RILAs offer better pricing than indexed annuities to investors looking to mitigate downside risk and enjoy potential investment growth as the bull market continues.” More carriers are entering the RILA market and some are expected to introduce GLB riders to this product line this year. SRI is forecasting RILA sales to grow as much as 50% in 2021 and the RILA market to grow through 2025.

Preliminary U.S. Annuity First Quarter Sales Estimates

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Full Year 2020	Q1 2021 (EST)	Q1 2021 / Q1 2020	Q1 2021 / Q4 2020
Traditional Variable	21.1	16.6	17.7	19.2	74.5	20.7	-2%	8%
Registered Index-Linked	4.9	4.5	6.3	8.4	24.1	9.2	89%	9%
Total Variable	26.0	21.1	23.9	27.6	98.6	29.9	15%	8%
Fixed-Rate Deferred	9.8	12.8	15.8	13.7	52.1	14.3	46%	4%
Indexed	16.2	12.0	13.2	14.1	55.5	13.7	-15%	-3%
Deferred Income	0.47	0.35	0.42	0.45	1.7	0.41	-13%	-9%
Fixed Immediate	1.9	1.4	1.4	1.6	6.3	1.4	-26%	-13%
Structured Settlements	1.5	1.2	1.0	1.1	4.8	1.2	-20%	9%
Total Fixed	29.9	27.8	31.8	31.0	120.4	31.0	4%	0%
Total U.S. Annuities	55.9	48.9	55.7	58.6	219.0	60.9	9%	4%

\$ in billions

Source: Secure Retirement Institute, Preliminary U.S. Individual Annuity Sales Survey, First Quarter 2021



Traditional VA product sales fell 2% year-over year in the first quarter, to \$20.7 billion, however. “Low interest rates continue to deter manufacturers from selling traditional VAs with guaranteed living benefit riders,” he added.

“Today, almost two-thirds of the VA GLB business is written by the top three VA carriers. As many traditional VA companies focus on the continued growth with protection-based offerings, this will offer little growth opportunities for investment-focused traditional VAs in the short term.”

Total fixed annuity sales rose 4% in the first quarter to \$31 billion. Fixed-rate deferred annuity sales were \$14.3 billion, up 46% from prior year results. While SRI expects a dip in fixed-rate deferred annuity sales this year, it expects a rebound by 2022.

“Crediting rates for fixed-rate deferred products remained steady and well above any other short-term investment vehicle, like CDs,” Giesing said. “Over the past three years, nearly \$150 billion has been invested in short-term fixed-rate deferred products. These assets will be coming out of their surrender periods over the next couple of years. We expect many investors to reinvest in fixed-rate deferred annuities due to the rising rates, driving sales to close to \$50 billion over the next few years.”

Fixed indexed annuity sales dropped 15% in the first quarter to \$13.7 billion. Despite the first quarter decline, improving interest rates should buoy FIA sales throughout the year. SRI is forecasting FIA sales to increase 8 to 17% in 2021.

While improved, interest rates remain very low, undermining interest in income annuity products. In the first quarter, immediate annuity sales were \$1.4 billion, 26% lower than the prior year. Deferred income annuities dropped 13% to \$410 million.

Preliminary first quarter 2021 annuities industry estimates are based on monthly reporting, representing 86% of the total market. A summary of the results can be found in LIMRA's Fact Tank.

The top 20 rankings of total, variable and fixed annuity writers for first quarter 2021 will be available around early June, following the last of the earnings calls for the participating carriers.

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