Surge of fixed indexed annuity sales at independent broker-dealers in 2014

By Editorial Staff *Fri, Mar 27, 2015*

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Industry-wide annuity sales in the fourth quarter of 2014 reached $56.6 billion, a 0.5% decrease from $56.9 billion in the previous quarter and a 4.6% dip from $59.3 billion in the fourth quarter of 2013, according to data reported by Beacon Research and Morningstar Inc. and released by the Insured Retirement Institute.

Despite the slight drop during the quarter, industry-wide sales were up for the full year, according to the release. Industry-wide annuity sales reached $229.4 billion in 2014, a 3.8% increase from $220.9 billion in 2013 and an 8.2% increase from $212 billion in 2012.

Fixed annuity sales totaled $23 billion in the fourth quarter of 2014, according to Beacon Research. This was a 6.3% increase from just under $21.7 billion during the previous quarter but a 2% drop from $23.5 billion in the fourth quarter of 2013. For the full-year 2014, fixed annuity sales closed out their best year since 2009, surpassing the $91.5 billion mark. This was a 17.2% jump from sales of $78.1 billion in 2013. This strong growth was supported by record sales years for fixed indexed annuities and income annuities.

“Overall, fixed annuities were extremely robust with 2014 recording the third highest sales total ever,” Beacon Research president Jeremy Alexander said. “The big story in 2014 was the $4.8 billion surge in fixed indexed annuity sales through independent broker-dealers. Much of this 411% increase was due to the popularity of living benefit riders. In addition, for the first time since Q3 2013, quarterly sales of fixed annuities experienced a rise in sales across all product types.”

Variable annuity total sales in the fourth quarter of 2014 were $33.6 billion, according to Morningstar. This was a 4.6% drop from $35.2 in the third quarter of 2014 and a 6.2% decline from $35.8 billion in the fourth quarter of 2013. For the full-year 2014, variable annuity total sales were $137.9 billion, a 3.4% drop from $142.8 billion in 2013.

Quarterly and year-end fixed annuity sales were supported by strong sales of fixed indexed and income annuities, according to Beacon Research. Fixed indexed annuity sales reached $12.2 billion in the fourth quarter of 2014, a 4.4% increase from sales of $11.7 billion in the third quarter of 2014 and a 3.5% increase from sales of $11.8 in the fourth quarter of 2013.

For the full-year 2014, fixed indexed annuity sales surged to a record $48 billion, a 23.9% increase from sales of $38.7 billion in 2013. Income annuity sales also closed out a record year. Sales of income annuities reached $3.2 billion during the fourth quarter, pushing full-year sales above the $13 billion mark – an 18% increase from $11 billion in 2013.

For the entire fixed annuity market, there were approximately $13 billion in qualified sales and $10 billion in non-qualified sales during the fourth quarter of 2014. For the full year, there were approximately $50.9 billion in qualified sales and $40.6 billion in non-qualified sales.

According to Morningstar, as a result of redemption activity, variable annuity net sales were negative for the quarter, estimated to be -$3.3 billion. Variable annuity net assets closed the year at $1.92 trillion. This is a 2.7% increase from $1.87 trillion at the close of 2013.

Within the variable annuity market, there were $22 billion in qualified sales and $11.5 billion in non-qualified sales during the fourth quarter of 2014. For the full year, there were $89.9 billion in qualified sales and $47.9 billion in non-qualified sales.

“Sales were affected by strategy shifts and product line rationalization among the major carriers,” said John McCarthy, Senior Product Manager, Annuity Products, for Morningstar. “While sales were down overall, half of the top 10 issuers experienced increased sales and half experienced a decline.

“Overall, assets under management continued to grow as strong financial market performance buoyed the industry. Most carriers continue to offer lifetime income guarantees, for which there is strong demand, despite continued low interest rates.”