
Total annuity sales to improve through 2019: LIMRA SRI

By Editorial Staff Thu, Jun 7, 2018

With interest rates expected to rise over the next two years, LIMRA SRI forecasts sales of fixed rate deferred annuities to increase by 15-20% in 2018 and by 20-25% in 2019.

LIMRA Secure Retirement Institute released its three-year annuity sales forecast for 2018, 2019 and 2020. After six consecutive quarters of declines, total annuity sales leveled off in the fourth quarter 2017 and first quarter 2018.

Improved economic and regulatory conditions have prompted LIMRA SRI to forecast total annuity sales to increase 5-10% in 2018 and improve up to 5% in 2019. Based on uncertainty around the SEC best interest rule and expected market volatility, LIMRA SRI expects total annuity sales to be flat in 2020.

Annual variable annuities (VA) sales have declined for the past six years, falling to its lowest level in 20 years. Yet with short-term improving economic conditions, product innovation and the elimination of DOL fiduciary rule, LIMRA SRI forecasts VA sales to rise as much as 5% in 2018, surpassing \$100 billion.

As equity markets are expected to drop in 2019, LIMRA SRI expects total VA sales will falter as well, by 0-5%. LIMRA SRI anticipates favorable economic conditions in 2020, which should offset any disruption the SEC best interest rule may have on the variable annuity market. As a result, LIMRA SRI forecasts 2020 VA sales to grow up to 5%.

LIMRA SRI forecasts indexed annuities to increase each year through 2020. In 2018, indexed annuity sales are expected to rise close to \$60 billion, increasing by 5-10%, which is near the record sales levels set in 2016.

Expected rising interest rates and stronger guarantees are prompting LIMRA SRI to predict indexed annuity sales to improve another 5-10% in 2019. In 2020, indexed annuity sales growth will slow, increasing 0-5% as interest rates decline.

Fixed-rate deferred (FRD) annuities will have the biggest growth rates over the next two years as interest rates rise. LIMRA SRI forecasts FRD annuity sales to increase 15-20% in 2018, and 20-25% in 2019. By 2020, however, LIMRA SRI predicts FRD annuity sales will be unable to sustain sales levels reached in 2019, falling 15-20%. Lower market volatility and falling interest rates will drive this decline.

For the past seven quarters, income annuity sales (immediate and deferred) have remained below \$3 billion. LIMRA SRI predicts rising interest rates to drive slow income annuity sales growth over the next three years. In 2018, sales are expected to increase 5-10% and as much as 5% in 2019 and 2020.

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