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## Virus and low-rates cut deep into Q2 annuity sales: LIMRA SRI

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By Editorial Staff      Thu, Jul 30, 2020

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Total U.S. annuity sales fell to \$48.8 billion in the second quarter of 2020, down 24% from the second quarter of 2019, according to preliminary results from the Secure Retirement Institute (SRI) U.S. Individual Annuity Sales Survey.

"The second quarter annuity sales decline is a direct result of the global pandemic and its economic fallout," said Todd Giesing, senior annuity research director, SRI, in a release this week.

"In addition to the record-low interest rates and continued market volatility, social distancing has significantly disrupted business operations for companies and advisors over the past three months," he added.

"While most annuity products saw double-digit sales declines, products that offer investment protection, like fixed-rate deferred and registered index-linked annuities, were able to maintain and even grow business in the second quarter."

After four consecutive quarters of growth, total variable annuity (VA) sales dropped 20% in the second quarter to \$20.5 billion. VA sales were \$46.5 billion in the first half of 2020, down 4% from the first half of 2019. This was the lowest quarterly level of variable annuity sales since 1996.

While overall VA sales declined, registered index-linked annuity (RILA) sales (also known as structured variable annuities) continued to grow. RILA sales were almost \$4.5 billion in the second quarter, 8% higher than in second quarter 2019. RILA have now seen quarter-over-quarter growth for 22 consecutive quarters. Year-to-date, RILA sales were \$9.4 billion, up 22% from the first half of 2019.

"As we saw over the last few quarters, the low interest rates have hampered fixed indexed annuity (FIA) rates. As a result, we believe advisors are gravitating to RILAs, which offer downside protection with greater upside potential," Giesing said.

The growth in RILA sales has come at the expense of FIA sales. In the second quarter, FIA

sales fell 41% to \$11.9 billion. This is the lowest quarterly total for FIAs since first quarter 2015. Year-to-date, FIA sales totaled \$28.1 billion, falling 26% compared with prior year.

Total fixed annuity sales were \$28.3 billion in the second quarter, a 26% decline from second quarter 2019. In the first half of 2020, fixed annuity sales dropped 24% to \$58.1 billion.

Fixed-rate deferred annuity sales jumped 33% from the prior quarter to \$13.0 billion. Year-to-date, fixed-rate deferred annuity sales totaled \$22.8 billion, which is 19% lower than prior year results.

“Low interest rates dampened fixed-rate deferred annuity sales in the first quarter. But, as we saw during the Great Recession, sales of these products soared in the second quarter as consumers looked to protect their investment from market volatility and losses,” Giesing said.

Income annuity sales suffered as a result of historically low interest rates. Single premium immediate annuities (SPIAs) were \$1.5 billion in the second quarter, down 44% from the second quarter of 2019. This is the lowest quarterly level of SPIA sales in 13 years. Year-to-date, SPIA sales were \$3.4 billion, down 38% compared with sales results from the first six months of 2019.

Deferred income annuity sales (DIA) were cut in half to \$370 million in the second quarter. Year-to-date, DIA sales were \$840 million, sinking 38% from prior year results. “We believe investors will hold off purchasing income annuity products, hoping interest rates rebound over the next 6-12 months,” Giesing said.

Preliminary second quarter 2020 annuities industry estimates are based on monthly reporting, representing 81% 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 the first half of 2020 will be available in August, following the last of the earnings calls for the participating carriers.

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