YTD annuity sales up 7.5% over 2018: IRI

By Editorial Staff *Thu, Dec 12, 2019*

'We anticipate next quarter sales to be flat with an upward bias given the steepening yield curve, as well as rising corporate bond rates and lower market volatility,' said Beacon Annuity Solutions CEO Jeremy Alexander.

Combined sales of fixed and variable annuities sales fell 8.4% in the third quarter of 2019, to $55.7 billion from $60.8 billion in the second quarter of 2019, according to the Insured Retirement Institute (IRI), which used data reported by Beacon Annuity Solutions and Morningstar, Inc.

Sales were on par with year-ago levels, down 0.4% from total annuity sales of $55.9 billion in the third quarter of 2018. Annuity sales for the first three quarters of 2019 totaled $174.3 billion, up 7.5% from $162.2 billion for the same period in 2018.

Fixed annuity sales highlights

- $30.1 billion – 2019 third quarter fixed annuity sales
- 16% decrease from second quarter sales of $35.8 billion
- 5% lower than 2018 third quarter sales of $31.8 billion
- $101.8 billion – fixed annuity sales in the year-to-date period ending September 30, 2019
- 1% increase over sales of $89.2 billion in the year-to-date period ending September 30, 2019

Variable annuity sales

- $25.6 billion – 2019 third quarter variable annuity sales
- Up 2.4% versus 2019 second quarter sales of $25.0 billion
- 2% higher than 2018 third quarter VA sales of $24.1 billion
- $72.5 billion – variable annuity sales in the first three quarters of 2019
- Down 0.7% from 2018 sales of $73.0 billion in the first three quarters of 2018

According to Beacon Annuity Solutions, fixed annuity sales are off recent highs, but fixed indexed and market value-adjusted annuities are higher than in the same period last year. In other highlights:

- $18.2 billion – fixed indexed annuity sales fell 9% from second quarter 2019 sales of $20.0 billion but rose slightly from 2018 third quarter sales of $18.0 billion
- $4.1 billion – Book value annuity sales fell 43.3% from $7.2 billion in the second quarter of 2019 and were 41.0% lower than 2018 third quarter sales of $7.0 billion

- $5.0 billion – Market value adjusted (MVA) annuity sales were down 3.8% from 2019 second quarter sales of $5.2 billion but up 22% from third quarter 2018 sales of $4.1 billion
- $2.7 billion – Income annuity sales fell 18.1% from second quarter sales of $3.3 billion and were flat compared with third quarter 2018 sales of $2.7 billion

For the entire fixed annuity market, there were approximately $17.4 billion in qualified sales and $12.7 billion in non-qualified sales during the third quarter of 2019.

"The inverted yield curve, along with declining corporate bond yields, continued to apply downward pressure on overall third quarter fixed annuity sales," said Beacon Annuity Solutions CEO Jeremy Alexander.

"In addition, fixed indexed annuities suffered from higher hedging costs due to market volatility. We anticipate next quarter sales to be flat with an upward bias given the steepening yield curve, as well as rising corporate bond rates and lower market volatility."

According to Morningstar, variable annuity net assets fell in the third quarter on lower investment returns and negative net asset flows. Highlights included:

- $1.95 trillion – Variable annuity assets fell 0.5% from $1.96 trillion in the second quarter of 2019.
- Allocation funds held $796.8 billion in VA assets, or 40.9% of the total, falling below the $800 million mark.
- Equity funds held $597.0 billion, or 30.7% of total VA assets.
- Fixed accounts held $351.2 billion, or 18.0% of VA assets.

Net asset flows in variable annuities were a negative $21.4 billion in the third quarter, worse than negative $20.4 in the second quarter but better than outflows of $24.8 billion in the first quarter. Within the variable annuity market, there were $16.7 billion in qualified sales and $8.9 billion in non-qualified sales during the third quarter of 2019.

"Structured annuities continued to gain market share in the VA space," said Michael Manetta, Senior Quantitative Analyst at Morningstar. "More than a decade after a significant stock market correction, this growth likely reflects investor interest in products that offer downside protection to the account value."