



Insured Retirement Institute

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IRI Issues First-Quarter 2015 Annuity Sales Report

*Fixed Indexed Annuity Sales Remain Strong, Grow Market Share;
Variable Annuity Net Assets Rise*

WASHINGTON, D.C. – The Insured Retirement Institute (IRI) today announced final first-quarter 2015 sales results for the U.S. annuity industry, based on data reported by Beacon Research and Morningstar, Inc. Industry-wide annuity sales in the first quarter of 2015 reached \$52.7 billion, a 6.9 percent decrease from \$56.6 billion in the previous quarter and a 6 percent decline from \$56.1 billion in the first quarter of 2014.

Fixed annuity sales totaled \$20.9 billion in the first quarter of 2015, according to Beacon Research. This was a 9.5 percent drop from \$23 billion during the previous quarter and a 7.5 percent drop from \$22.6 billion in the first quarter of 2014. While quarterly fixed annuity sales were down from five-year highs set in 2014, sales remained strong overall and are nearly 40 percent above where they were two years ago.

Meanwhile variable annuity total sales in the first quarter of 2015 were \$31.8 billion, according to Morningstar. This was a 5.1 percent drop from \$33.6 billion in the fourth quarter of 2014 and a 5 percent decline from \$33.5 billion in the first quarter of 2014. While total sales were down, variable annuity net assets were up at the end of the first quarter of 2015. Variable annuity net assets were \$1.95 trillion, a 1.4 percent increase from \$1.92 trillion at the end of the fourth quarter of 2014 and a 3.4 percent increase from \$1.88 trillion at the end of the first quarter of 2014.

“Interest rates were down sharply in January, and with a strong consensus across the market that rates will reverse course this year, it is logical to conclude that some consumers decided to defer their purchases,” said **Cathy Weatherford, IRI President and CEO**. “As rates rebound, we expect pent-up demand to lead to solid sales, as lifetime income remains highly attractive to retirement savers seeking to ensure their savings will last throughout retirement.”

According to Beacon Research, despite the slowdown in fixed annuity sales, fixed indexed annuity sales remained strong, reaching \$11.6 billion during the quarter, a 3.1 percent increase from sales of \$11.2 billion in the first quarter of 2014. Fixed indexed annuities’ share of the fixed annuity market expanded to 55.6 percent during the quarter – a new record. For the entire fixed annuity market, there were approximately \$12.2 billion in qualified sales and \$8.7 billion in non-qualified sales during the first quarter of 2015.



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“Although fixed annuity sales fell in Q1 2015, positive sales trends continue,” **Beacon Research President Jeremy Alexander** said. “Independent broker-dealers experienced a record-breaking quarter with a 104 percent surge in sales of market value adjusted (MVA) products. Non-MVA products climbed in the captive and wirehouse channels, up 25.3 percent and 4.5 percent respectfully, to their highest levels since Q4 2011. Fixed indexed products also set a new record in the wirehouse channel with a 14.5 percent increase.”

Fixed Table 1. Quarterly Fixed Annuity Sales by Product Type

(\$ Millions)	Quarter Ended				
	3/31/15	12/31/14	9/30/14	6/30/14	3/31/14
Total Sales (Rounded)	20,850	23,040	21,680	24,270	22,550
Book Value	4,573	4,868	4,725	5,631	5,547
Market Value Adjusted	1,992	2,771	2,187	2,346	2,475
Indexed	11,590	12,167	11,657	12,899	11,236
Income	2,691	3,229	3,111	3,392	3,288

Source: Beacon Research *Fixed Annuity Premium Study*

Fixed Table 2. Quarterly Market Share by Product Type

(As a percent of total sales)	3/31/15
Indexed	55.6%
Book Value	21.9%
Income	12.9%
Market Value Adjusted	9.6%

Source: Beacon Research *Fixed Annuity Premium Study*

According to Morningstar, as a result of redemption activity, variable annuity net sales were negative for the quarter, estimated to be -\$3.5 billion. Within the variable annuity market, there were \$21.1 billion in qualified sales and \$10.7 billion in non-qualified sales during the first quarter of 2015.

“Assets under management continue to grow, helped by solid investment performance,” said **John McCarthy, Senior Product Manager, Annuity Products, for Morningstar**. “New sales continue to flow into VAs, though at a slower clip than last year. Investors are showing their preference for more aggressive investment options inside variable annuities, which may indicate a loosening of the risk aversion we’ve seen in the recent past. This trend is playing out via the continued flows into ‘investment



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oriented' VA contracts, which in addition to core holdings, also offer alternative and non-correlated investment choices.”

Variable Table 1. Variable Annuity Net Assets

<u>(Dollars in Millions)</u>	<u>3/31/15</u>	<u>12/31/14</u>	<u>9/30/14</u>	<u>6/30/14</u>	<u>3/31/14</u>
Total Net Assets	1,947,169	1,920,355	1,903,325	1,933,805	1,883,208

Source: Morningstar, Inc., and Insured Retirement Institute

Variable Table 2. Quarterly Variable Annuity Total Premium & Net Sales*

<u>(\$ Millions)</u>	<u>Quarter Ended</u>				
	<u>3/31/15</u>	<u>12/31/14</u>	<u>9/30/14</u>	<u>6/30/14</u>	<u>3/31/14</u>
Total Sales	31,848	33,576	35,206	35,596	33,527
Net Sales**	-3,519	-3,348	-2,491	1,610	-1,141
<i>Net Sales as % of total sales**</i>	<i>-11.0%</i>	<i>-10.0%</i>	<i>-7.1%</i>	<i>4.5%</i>	<i>-3.4%</i>

Source: Morningstar, Inc.

**Total Premium Sales*, also called *Total Premium Flows*, represents the sum of new sales [all first-time buyers of a contract, including inter- and intra-company exchanges] and additional premiums from existing contract owners. *Net Sales*, also called *Net Flows*, represents *Total Premium Sales* minus surrenders, withdrawals, inter- and intra-company exchanges, and benefit payments.

**Prior to the first quarter of 2014, Morningstar's net sales figure was determined using a survey process. Beginning with the first quarter of 2014, Morningstar changed its methodology to estimate net sales based on a calculation methodology used across all investment universes for which Morningstar collects and publishes asset and performance data, including global open end mutual funds, separate accounts, and exchange traded funds.

Variable Table 3. Variable Annuity Assets by Asset Class

<u>(As a percent of total assets)</u>	<u>3/31/15</u>
Equity	41.7%
Allocation	30.7%
Fixed Accounts	17.3%
Bonds	8.9%
Money Market	1.3%

Source: Morningstar, Inc.



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About Morningstar, Inc.: Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 500,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 15 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its investment advisory subsidiaries and had more than \$179 billion in assets under advisement and management as of March 31, 2015. The company has operations in 27 countries.

About Beacon Research: Beacon Research is an independent research company and application service provider founded in 1997 and based in Northfield, Ill. Beacon tracks fixed and variable annuity features, rates and sales. Its quarterly *Fixed Annuity Premium Study* is the first and only source to analyze fixed annuity sales at the product level, and the first to make a decade's worth of sales information available to subscribers online at www.annuitymarketstudy.com. Beacon lowers compliance risk and increases fixed annuity sales with 100% carrier-approved, comprehensive product profiles, spreadsheets and search tools for the advisor/rep websites of banks, TPMs, broker-dealers and marketing organizations. Carriers and financial institutions use its systems at www.annuitynexus.com for compliance review of 1035 exchanges, sales support, conservation and product research. Beacon also licenses information to other platforms. Directly and through licensees, Beacon information can be accessed by hundreds of financial institutions and thousands of advisors.

About the Insured Retirement Institute: The Insured Retirement Institute (IRI) is the leading association for the retirement income industry. IRI proudly leads a national consumer coalition of more than 30 organizations, and is the only association that represents the entire supply chain of insured retirement strategies. IRI members are the major insurers, asset managers, broker-dealers/distributors, and 150,000 financial professionals. As a not-for-profit organization, IRI provides an objective forum for communication and education, and advocates for the sustainable retirement solutions Americans need to help achieve a secure and dignified retirement. Learn more at www.irionline.org.

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