



Insured Retirement Institute

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IRI Issues Second-Quarter 2016 Annuity Sales Report

Robust Fixed Indexed Annuity Sales Pace Fixed Annuity Sales

WASHINGTON, D.C. – The Insured Retirement Institute (IRI) today announced final second-quarter 2016 sales results for the U.S. annuity industry, based on data reported by Beacon Research and Morningstar, Inc. Industry-wide annuity sales in the second quarter of 2016 totaled \$55.9 billion, which is virtually unchanged from sales of \$56 billion during the first quarter of 2016, and a 4.3 percent decline from \$58.4 billion in the second quarter of 2015.

According to Beacon Research, fixed annuity sales during the second quarter of 2016 reached \$29.5 billion, a 1.9 percent decline from sales of \$30 billion during the first quarter of 2016, but a 29.1 percent increase from sales of \$22.8 billion during the second quarter of 2015. Variable annuity total sales were \$26.4 billion in the second quarter of 2016, according to Morningstar. This was a 1.8 percent increase from sales of \$26 billion in the prior quarter, but a 25.8 percent decline from \$35.6 billion in the second quarter of 2015.

“Industry-wide annuity sales, year to date, are nearly \$112 billion,” **IRI President and CEO Cathy Weatherford** said. “This is slightly above where year-to-date sales were at this point in 2015. While sales continue to shift among product types and categories, the demand for lifetime income products remains steady. We fully expect the need for lifetime income to remain strong, though ongoing solution innovation and other factors will likely lead advisors to continue to rely upon a wide array of strategies to solve for their clients’ individual needs.”

According to Beacon Research, fixed annuity sales remained strong, reaching their second highest quarterly total in seven years. Sales were largely buoyed by continued robust sales of fixed indexed annuities, which narrowly missed setting a new quarterly sales record. Fixed indexed annuity sales reached \$16.1 billion in the second quarter of 2016, a 5.9 percent increase from sales of \$15.2 billion in the previous quarter and a 28 percent increase from sales of \$12.5 billion during the second quarter of 2015. For the entire fixed annuity market, there were approximately \$17.1 billion in qualified sales and \$12.4 billion in non-qualified sales during the second quarter of 2016.

“Increased sales of fixed indexed annuities within the independent broker-dealer channel largely offset the decline of other fixed annuity product types in the second quarter,” said **Beacon Research CEO Jeremy Alexander**. “Despite a modest quarterly decline, year-to-date total fixed annuity sales increased \$15.8 billion to \$59.5 billion, a 36.2 percent increase over the prior year.”



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Fixed Table 1. Quarterly Fixed Annuity Sales by Product Type

| (\$ Millions) | Quarter Ended | | | | |
|-----------------------|---------------|---------|----------|-----------|---------|
| | 6/30/16 | 3/31/16 | 12/31/15 | 9/30/2015 | 6/30/15 |
| Total Sales (Rounded) | 29,480 | 30,040* | 28,220 | 26,480 | 22,840 |
| Book Value | 5,752 | 6,190* | 5,306 | 5,545 | 4,781 |
| Market Value Adjusted | 4,138 | 5,080* | 3,158 | 3,389 | 2,519 |
| Indexed | 16,069 | 15,169* | 16,089 | 14,373 | 12,552 |
| Income | 3,524 | 3,602* | 3,671 | 3,171 | 2,990 |

Source: Beacon Research *Fixed Annuity Premium Study*

*Note: Fixed annuity sales for the first quarter of 2016 have been revised from original sales results reported in June 2016.

Fixed Table 2. Quarterly Market Share by Product Type

| (As a percent of total sales) | 6/30/16 |
|-------------------------------|---------|
| Indexed | 54.5% |
| Book Value | 19.5% |
| Market Value Adjusted | 14.0% |
| Income | 12.0% |

Source: Beacon Research *Fixed Annuity Premium Study*

According to Morningstar, variable annuity net assets increased slightly in the second quarter of 2016, reaching \$1.88 trillion. This represents a 0.3 percent increase from the end of the first quarter of 2016. Within the variable annuity market, there were \$18.4 billion in qualified sales and \$8 billion in non-qualified sales during the second quarter of 2016.

“VA sales were up slightly with little quarter over quarter change,” said **Kevin Loffredi, Senior Product Manager at Morningstar**. “Assets were also relatively unchanged and reflective of market returns. Net flows year-to-date were negative \$15 billion while sales were \$52.4 billion, off 22 percent versus the prior year.”

Variable Table 1. Variable Annuity Net Assets

| (Dollars in Millions) | 6/30/16 | 3/31/16 | 12/31/15 | 9/30/15 | 6/30/15 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| Total Net Assets | 1,880,176 | 1,874,682 | 1,871,639 | 1,840,951 | 1,982,527 |

Source: Morningstar, Inc., and Insured Retirement Institute



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

| (\$ Millions) | Quarter Ended | | | | |
|--|---------------|---------|----------|---------|---------|
| | 6/30/16 | 3/31/16 | 12/31/15 | 9/30/15 | 6/30/15 |
| Total Sales | 26,420 | 25,955 | 30,890 | 32,034 | 35,589 |
| Net Sales** | -5,586 | -9,794 | -5,199 | -7,124 | 2,933 |
| <i>Net Sales as % of total sales**</i> | -21.1% | -37.7% | -16.8% | -22.2% | 8.2% |

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.

**Morningstar estimates 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

| (As a percent of total assets) | 6/30/16 |
|--------------------------------|---------|
| Equity | 38.2% |
| Allocation | 32.2% |
| Fixed Accounts | 18.6% |
| Bonds | 9.4% |
| Money Market | 1.5% |

Source: Morningstar, Inc.

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 530,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on nearly 18 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, with more than \$185 billion in assets under advisement and management as of June 30, 2016. 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,



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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 40 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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