



## Insured Retirement Institute

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# **IRI Second-Quarter 2014 Annuity Sales Report: Industry-Wide Sales at Highest Level in Three Years**

*Indexed Annuities Power Fixed Annuity Sales to Five-Year High;  
Variable Annuity Sales Up from First Quarter*

**WASHINGTON, D.C.** – The Insured Retirement Institute (IRI) today announced final second-quarter 2014 sales results for the U.S. annuity industry, based on data reported by Beacon Research and Morningstar, Inc. Reaching the highest mark in three years, industry-wide annuity sales in the second quarter of 2014 rose to \$59.9 billion, a 6.8 percent increase from \$56.1 billion in the previous quarter and a 9.9 percent increase from \$54.5 billion in the second quarter of 2013.

Fixed annuity sales – supported by record fixed indexed annuity sales – increased to \$24.3 billion in the second quarter of 2014, according to Beacon Research. This was a 7.6 percent increase from \$22.6 billion in the previous quarter and a 41.6 percent increase from \$17.1 billion in the second quarter of 2013. Variable annuity total sales reached \$35.6 billion in the second quarter of 2014, according to Morningstar. This was a 6.2 percent increase from \$33.5 billion in the first quarter of 2014, but a 4.6 percent decline from \$37.3 billion in the second quarter of 2013.

“These are the highest industry-wide sales we’ve seen in three years, and on the fixed side of the market, the highest in five years,” said **Cathy Weatherford, IRI President and CEO**. “We continue to see moderate growth, driven by consumer need for protection and income, in all types of retirement income products, and more robust growth in certain products based on the macroeconomic conditions of the day. For example, the market is currently experiencing a surge in the sale of fixed indexed annuities that – in addition to offering upside potential with downside protection and access to guaranteed lifetime income – can be used by consumers as an alternative to traditional fixed income investments without the interest rate risk.”

According to Beacon Research, continued growth in fixed annuity sales were largely supported by a surge in fixed indexed annuity sales, which hit a new quarterly record of \$12.9 billion in the second quarter of 2014. This represents a 14.8 percent increase from first-quarter 2014 sales of \$11.2 billion and a 41.5 percent increase from second-quarter 2013 sales of \$9.1 billion. Income annuity sales also rose during the second quarter of 2014, topping \$3.39 billion – a 3.2 percent increase from nearly \$3.29 billion in the previous quarter and a 32.7 percent jump from \$2.56 billion in the second quarter of 2013. For the entire



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fixed annuity market, there were approximately \$12.5 billion in qualified sales and \$11.8 billion in non-qualified sales during the second quarter of 2014.

“We are enjoying a prolonged resurgence of fixed annuity sales of all types, with sales up \$7.1 billion – or 42 percent – since the second quarter of 2013,” said **Beacon Research President Jeremy Alexander**. “Fixed indexed annuities, setting new records in four of the past five quarter, are leading the way – accounting for 53 percent of the overall sales increase. In addition, combined first and second quarter year-to-date sales of fixed non-MVA products increased by 37 percent; fixed MVA products increased 111 percent; and income annuity products are up 41 percent. For the first time, on a year-to-date basis, broker-dealer market share – 16.6 percent – has surpassed captive agent market share – 11.5 percent – in the sale of fixed annuities.”

**Fixed Table 1. Quarterly Fixed Annuity Sales by Product Type**

(\$ Millions)	Quarter Ended				
	6/30/14	3/31/14	12/31/13	9/30/13	6/30/13
Total Sales (Rounded)	24,270	22,550	23,520	22,460	17,140
Book Value	5,631	5,547	6,332	7,122	4,161
Market Value Adjusted	2,346	2,475	1,965	2,467	1,312
Indexed	12,899	11,236	11,757	10,051	9,115
Income	3,392	3,288	3,472	2,815	2,556

Source: Beacon Research *Fixed Annuity Premium Study*

**Fixed Table 2. Quarterly Market Share by Product Type**

(As a percent of total sales)	6/30/14
Indexed	53.1%
Book Value	23.2%
Income	14.0%
Market Value Adjusted	9.7%

Source: Beacon Research *Fixed Annuity Premium Study*

According to Morningstar, variable annuity net assets continue to reach new all-time highs, closing the second quarter at \$1.93 trillion. Variable annuity net sales swung back into positive territory during the second quarter of 2014, reaching \$1.6 billion, according to Morningstar’s estimates. Within the variable annuity market, there were \$23.2 billion in qualified sales and \$12.4 billion in non-qualified sales.



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“VA sales bounced back in the second quarter, with eight of the top 10 issuers posting increases,” said **John McCarthy, Product Manager, Annuity Solutions, at Morningstar**. “VA sales continue to flow into living-benefit-based annuities. At the same time, interest is increasing for VA products that allow investors to diversify with alternatives in a tax beneficial way.”

### Variable Table 1. Variable Annuity Net Assets

<u>(Dollars in Millions)</u>	<u>6/30/14</u>	<u>3/31/14</u>	<u>12/31/13</u>	<u>9/30/13</u>	<u>6/30/13</u>
Total Net Assets	1,934,863	1,882,135	1,868,476	1,786,916	1,716,149

Source: Morningstar, Inc.

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

<u>(\$ Millions)</u>	Quarter Ended				
	<u>6/30/14</u>	<u>3/31/14</u>	<u>12/31/13</u>	<u>9/30/13</u>	<u>6/30/13</u>
Total Sales	35,596	33,527	35,782	35,061	37,315
Net Sales	1,610**	-1,141**	-2,806	1,520	1,645
Net Sales as % of total sales	4.5%**	-3.4%**	-7.8%	4.3%	4.4%

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>6/30/14</u>
Equity	41.0%
Allocation	31.7%
Fixed Accounts	16.8%
Bonds	9.1%
Money Market	1.4%

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 473,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 12 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 approximately \$169 billion in assets under advisement and management as of June 30, 2014. 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](http://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](http://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](http://www.irionline.org).

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