



Insured Retirement Institute

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John B. Jennings
(202) 469-3017

IRI Issues Second-Quarter 2017 Annuity Sales Report Fixed Indexed Annuity Sales Jump, VA Ticks Up

WASHINGTON, D.C. – The Insured Retirement Institute (IRI) today announced final second-quarter 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 2017 totaled \$50.4 billion, a 2.4 percent increase from sales of \$49.2 billion during the first quarter of 2017, and a 9.8 percent decline from sales of \$55.9 billion in the second quarter of 2016.

According to Beacon Research, fixed annuity sales during the second quarter of 2017 rose to \$26.7 billion, a 3.1 percent increase over sales of \$25.9 billion during the first quarter of 2017 and a 9.5 percent decline from sales of \$29.5 billion during the second quarter of 2016. Variable annuity total sales were \$23.7 billion in the second quarter of 2017, according to Morningstar. This was a 1.7 percent increase over sales of \$23.3 billion in the prior quarter and a 10.2 percent decline from sales of \$26.4 billion in the second quarter of 2016.

“IRI is pleased to report that fixed indexed annuity sales rose ten percent in the second quarter of 2017,” said **IRI President and CEO Cathy Weatherford**, “and it is also encouraging to see growth in industry-wide sales of annuities. IRI believes annuity sales will continue to increase as thousands of Americans enter retirement each day and seek solutions that will provide them with secure sources of income throughout their retirement years.”

According to Beacon Research, the increase in total fixed annuity sales was led by sales of fixed indexed products. Fixed indexed annuity sales rose 10 percent to \$14.9 billion from \$13.6 billion in the first quarter of 2017, though sales were down 7.1 percent from second quarter 2016 sales of \$16.1 billion. Overall fixed annuity sales also rose on strong sales of income annuities, with sales of \$2.8 billion, an 11 percent increase over first quarter income annuity sales of \$2.5 billion. Book value and market value adjusted (MVA) annuities, combined sales of which were \$9.0 billion, fell 7.7 percent relative to first quarter sales of \$9.8 billion, and were down 8.9 percent versus second quarter 2016 sales of \$9.9 billion. For the entire fixed annuity market, there were approximately \$15.1 billion in qualified sales and \$11.6 billion in non-qualified sales during the second quarter of 2017.



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“Amid the headwinds of DOL implementation and spread compression, fixed annuity sales posted an increase,” said **Beacon Research CEO Jeremy Alexander**, “and consumer demand for conservative retirement income products continues to drive strong sales.”

Fixed Table 1. Quarterly Fixed Annuity Sales by Product Type

(\$ Millions)	Quarter Ended				
	6/30/17	3/31/17	12/31/16	9/30/16	6/30/2016
Total Sales (Rounded)	26,745	25,866	23,807	25,980	29,480
Book Value	5,711	5,913	4,366	4,582	5,752
Market Value Adjusted	3,294	3,847	2,995	3,635	4,138
Indexed	14,929	13,574	13,921	14,972	16,069
Income	2,811	2,531	2,525	2,792	3,524

Source: Beacon Research *Fixed Annuity Premium Study*

Fixed Table 2. Quarterly Market Share by Product Type

(As a percent of total sales)	6/30/17
Indexed	55.8%
Book Value	21.4%
Market Value Adjusted	12.3%
Income	10.5%

Source: Beacon Research *Fixed Annuity Premium Study*

According to Morningstar, variable annuity net assets rose 1.8 percent to \$1.98 trillion during the second quarter of 2017. On a year-over-year basis, assets increased 5.1 percent, from \$1.88 trillion at the end of the second quarter of 2016, as positive market performance continued to overcome the impact of lower sales and negative net flows. Net flows in variable annuities were -\$14.8 billion in the second quarter. Within the variable annuity market, there were \$15.3 billion in qualified sales and \$8.4 billion in non-qualified sales during the second quarter of 2017.



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Qualified sales fell 1.8 percent from first quarter sales of \$15.6 billion, while sales of non-qualified variable annuities rose 8.6% from first quarter sales of \$7.7 billion.

“While total variable annuity sales rose slightly,” said John McCarthy, Senior Product Manager at Morningstar, “the largest increases were in non-qualified sales. We are also seeing growth in newer investment oriented products such as structured annuities. These products offer tax deferral, growth potential and downside protection, and the ability to selectively convert account value to guaranteed lifetime income. Sales of structured variable annuities are on the rise, climbing to \$1.6 billion in the second quarter of 2017, or 6.7 percent of total variable annuity sales, as compared to \$1.2 billion, or 4.5 percent of sales, in the second quarter of 2016.”

Variable Table 1. Variable Annuity Net Assets

(\$ Millions)	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16
Total Net Assets	1,976,235	1,941,226	1,896,741	1,920,970	1,880,176

Source: Morningstar, Inc., and Insured Retirement Institute

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

(\$ Millions)	Quarter Ended				
	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16
Total Sales	23,680	23,299	24,413	25,362	26,420
Net Sales**	-14,798	-17,803	-4,525	-10,763	-5,586
<i>Net Sales as % of total sales**</i>	-62.5%	-76.4%	-18.5%	-42.4%	-21.1%

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.



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Variable Table 3. Variable Annuity Assets by Asset Class

<u>(As a percent of total assets)</u>	<u>6/30/17</u>
Equity	39.4%
Allocation	32.8%
Fixed Accounts	17.7%
Bonds	8.9%
Money Market	1.2%

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, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries, with more than \$200 billion in assets under advisement and management as of June 30, 2017. 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



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retirement solutions Americans need to help achieve a secure and dignified retirement. Learn more at www.irionline.org.

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