



Insured Retirement Institute

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## **IRI Issues Third-Quarter 2015 Annuity Sales Report**

*Record Fixed Indexed Annuities Propel Fixed Annuity Sales  
to Highest Level in Six Years*

**WASHINGTON, D.C.** – The Insured Retirement Institute (IRI) today announced final third-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 third quarter of 2015 reached \$58.5 billion, a slight increase from \$58.4 billion during the second quarter of 2015, and a 2.9 percent increase from \$56.9 billion in the third quarter of 2014.

Fixed annuity sales reached their highest mark in more than six year, totaling \$26.5 billion in the third quarter of 2015, according to Beacon Research. This was a 15.9 percent increase from \$22.8 billion during the previous quarter, and a 22.1 percent jump from \$21.7 billion in the third quarter of 2014. Sales of all types of fixed annuities increased during the quarter, with the biggest gains – on a dollar basis – coming from fixed indexed annuity sales, which posted their strongest quarter on record. Meanwhile variable annuity total sales decreased to \$32 billion in the third quarter of 2015, according to Morningstar. This was a 10 percent decline from \$35.6 billion in the second quarter of 2015 and a 9 percent decline from \$35.2 percent in the third quarter of 2014.

“The attractiveness of fixed annuity products during the third quarter is not surprising given certain macroeconomic factors, including a spike in volatility,” **IRI President and CEO Cathy Weatherford** said. “Consumers continue to demand lifetime income, but some may have opted for principal protection over growth potential in the face of volatility. With the markets recovering during the fourth quarter, we anticipate that Q4 sales figures will show a leveling out in this regard. Similarly we expect the rise in markets will help return VA net assets to an upward trajectory.”

According to Beacon Research, for the second consecutive quarter, sales of all types of fixed annuities increased from the previous quarter. This included sales of fixed indexed annuities, which set a new quarterly record, besting its prior high mark by \$1.5 billion. Sales of fixed indexed annuities reached \$14.4 billion in the third quarter, a 14.5 percent increase from \$12.6 billion in the second quarter of 2015 and a 23.3 percent increase from \$11.7 billion in the third quarter of 2014. For the entire fixed annuity market, there were approximately \$15.3 billion in qualified sales and \$11.2 billion in non-qualified sales during the third quarter of 2015.



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“Due to downward pressure in the equity markets, there has been a flight to safety to fixed annuities,” **Beacon Research President Jeremy Alexander** said. “In Q3 2015 the fixed indexed annuity market showed record sales due to increased penetration of the bank and broker-dealer channels. Overall, independent producers still led fixed annuity sales in Q3 2015 with a 38 percent market share, followed closely by banks with a 26 percent share. As caps and credited rates rise, we believe fixed sales will continue to attract capital from less conservative investment options.”

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

(\$ Millions)	Quarter Ended				
	9/30/2015	6/30/15	3/31/15	12/31/14	9/30/14
Total Sales (Rounded)	26,480	22,840	20,850	23,040	21,680
Book Value	5,545	4,781	4,573	4,868	4,725
Market Value Adjusted	3,389	2,519	1,992	2,771	2,187
Indexed	14,373	12,552	11,590	12,167	11,657
Income	3,171	2,990	2,691	3,229	3,111

Source: Beacon Research *Fixed Annuity Premium Study*

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

(As a percent of total sales)	9/30/15
Indexed	54.3%
Book Value	20.9%
Market Value Adjusted	12.8%
Income	12.0%

Source: Beacon Research *Fixed Annuity Premium Study*

According to Morningstar, variable annuity net assets decreased in the third quarter of 2015 to \$1.84 trillion. Reflecting the volatility in the markets during that time, variable annuity net assets declined 7.1 percent from \$1.98 trillion at the end of the second quarter of 2015 and 3.3 percent from \$1.9 trillion at the end of the third quarter of 2014. Variable annuity net sales were negative for the quarter, estimated to be -\$7.1 billion, as a result of redemption activity. Within the variable annuity market, there were \$21 billion in qualified sales and \$11 billion in non-qualified sales during the third quarter of 2015.

“Variable annuity sales were down, as expected, because the third quarter has historically shown reduced volume,” **John McCarthy, Senior Product Manager, Annuity Products, for Morningstar**, said.



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“Some segments of the market, like Investment-Oriented Variable Annuity products, continued to grow. Overall industry sales are being affected by modest investment returns and tepid interest rates, both external factors that created headwinds in the third quarter.”

### Variable Table 1. Variable Annuity Net Assets

<u>(Dollars in Millions)</u>	<u>9/30/15</u>	<u>6/30/15</u>	<u>3/31/15</u>	<u>12/31/14</u>	<u>9/30/14</u>
Total Net Assets	1,840,951	1,982,527	1,947,169	1,920,355	1,903,325

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>9/30/15</u>	<u>6/30/15</u>	<u>3/31/15</u>	<u>12/31/14</u>	<u>9/30/14</u>
Total Sales	32,034	35,589	31,848	33,576	35,206
Net Sales**	-7,124	2,933	-3,519	-3,348	-2,491
<i>Net Sales as % of total sales**</i>	-22.2%	8.2%	-11.0%	-10.0%	-7.1%

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.

\*\*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>9/30/15</u>
Equity	39.1%
Allocation	30.7%
Fixed Accounts	19.4%
Bonds	8.9%
Money Market	1.8%

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 more than 500,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 16 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 \$180 billion in assets under advisement and management as of June 30, 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](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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