

# Equity-Based Insurance Guarantees Conference

Nov. 11-12, 2019

Chicago, IL

## A Shifting Landscape in the Individual Annuity Market

Todd Giesing  
Teddy Panaitisor

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

Sponsored by



# A Shifting Landscape in the Individual Annuity Market

**TODD GIESING & TEDDY PANAITISOR**  
**LIMRA SECURE RETIREMENT INSTITUTE**

**11 NOVEMBER 2019**

**8:30 – 9:30 AM**



Learn from  
the Past



Think of  
the Future



Todd Giesing  
Director, Annuity Research  
LIMRA Secure Retirement Institute



Teodor (Teddy) Panaitisor  
Senior Research Analyst  
LIMRA Secure Retirement Institute

# Uncertainty

## Confusion

## Doubt







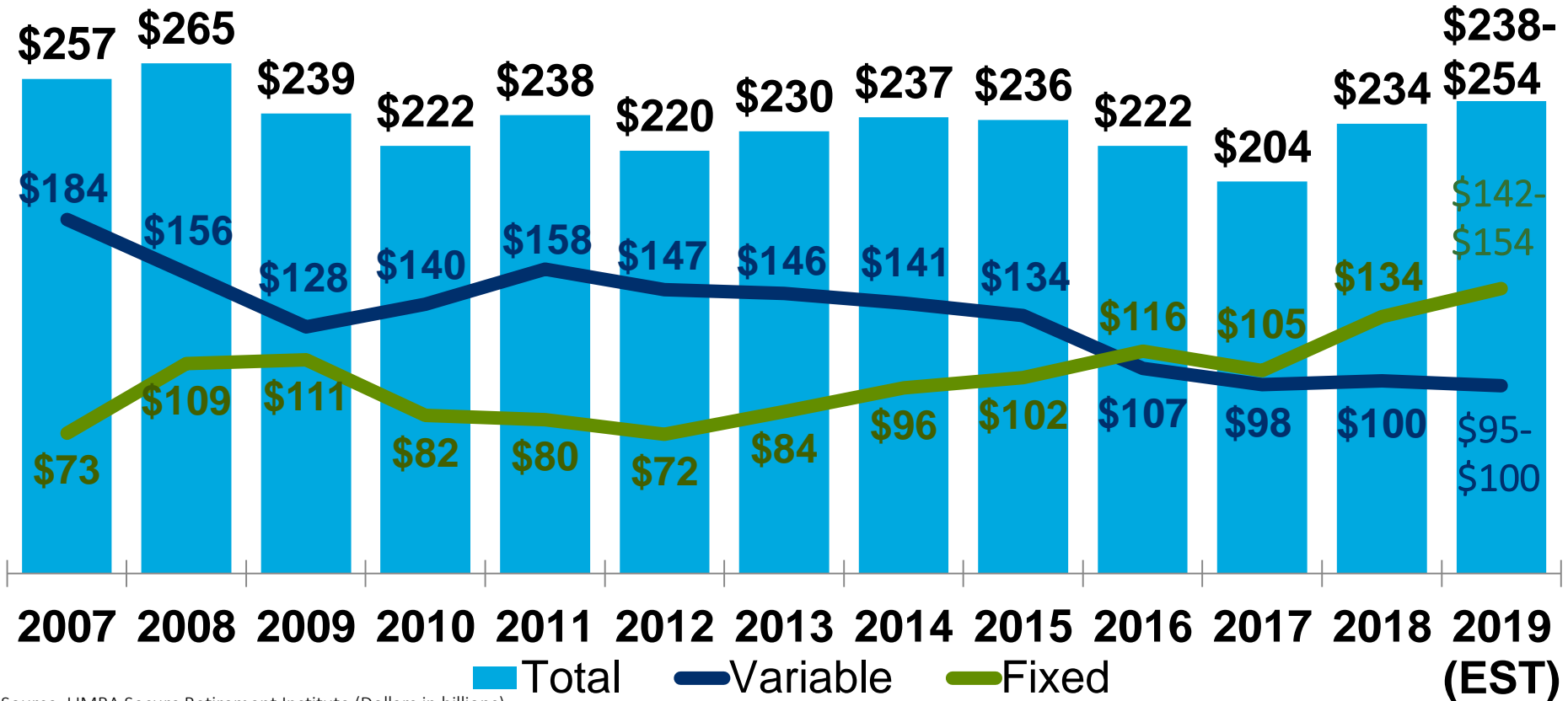




# Understanding the past

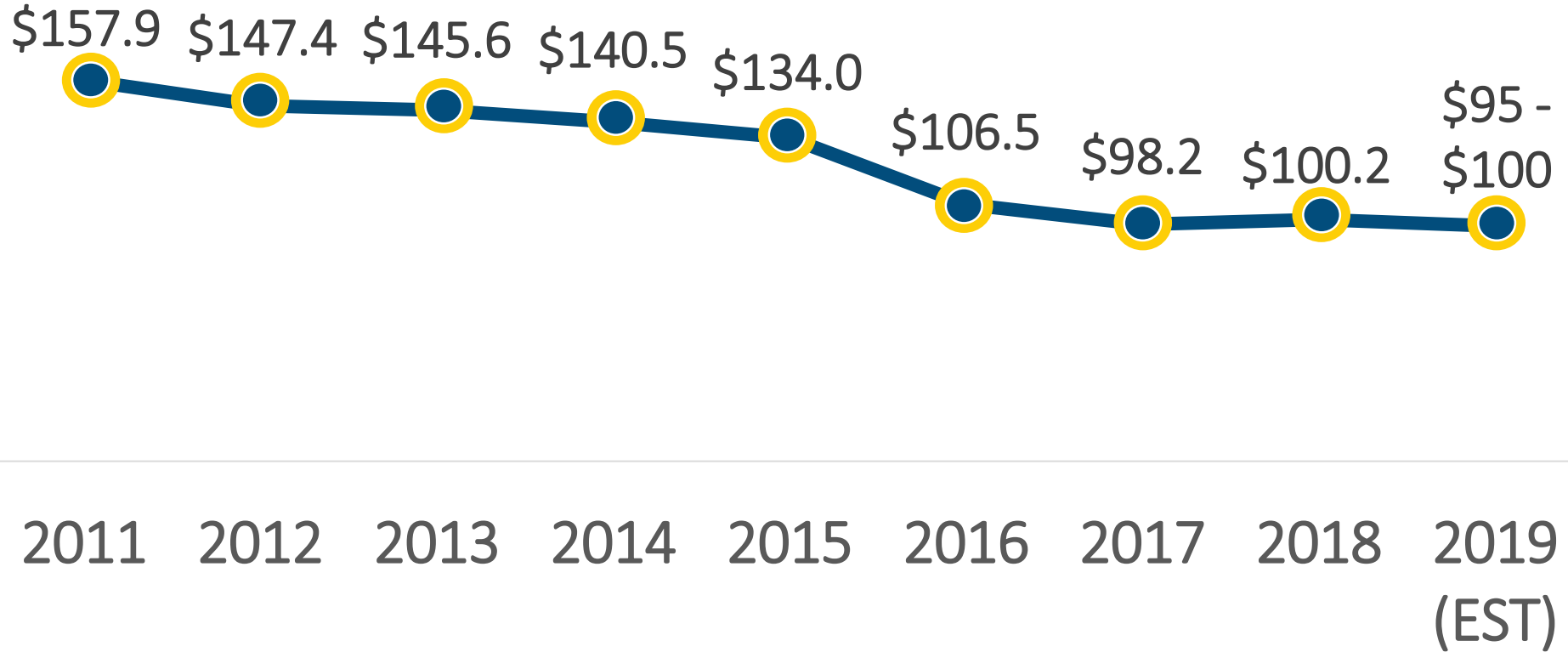


# Individual Annuity Sales 2008-2019



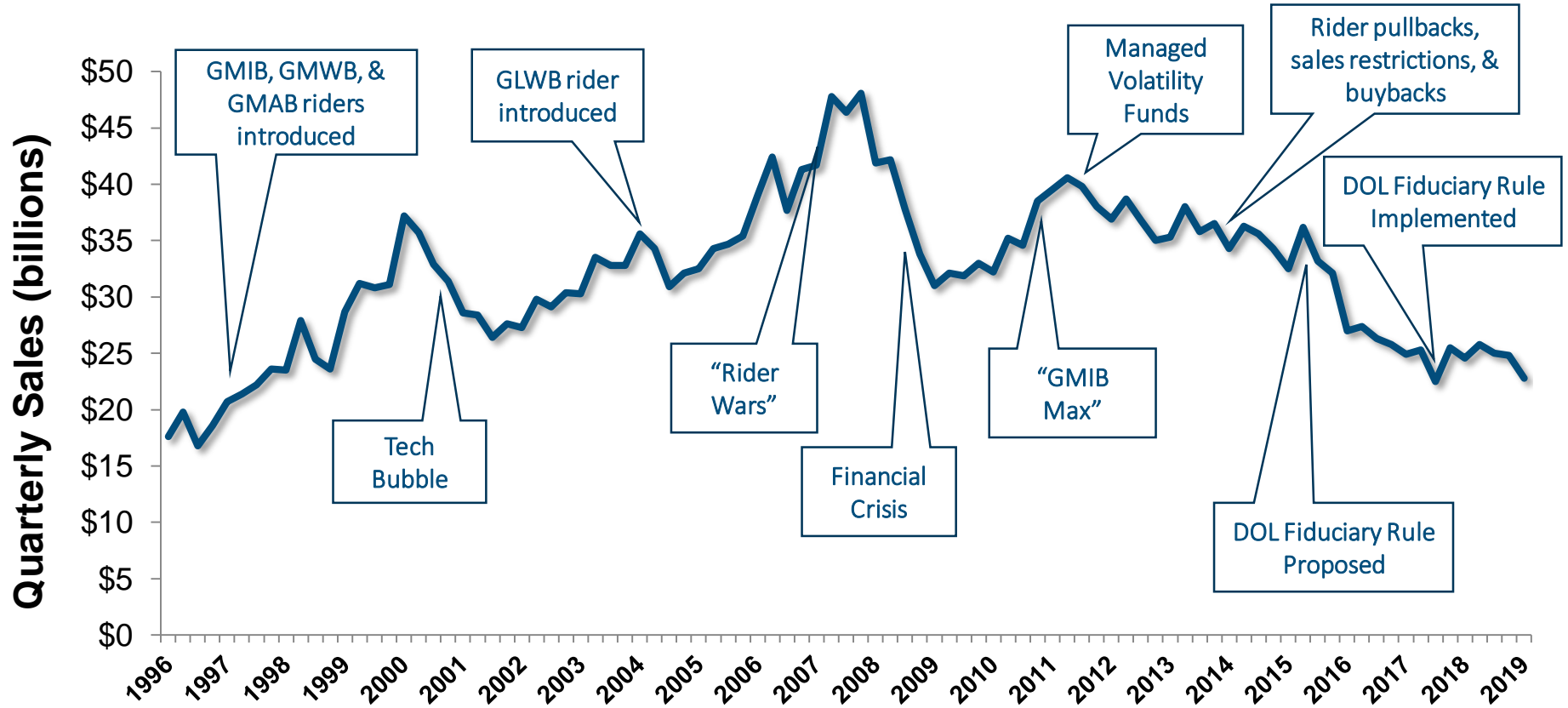
Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Variable Annuity (VA) Sales



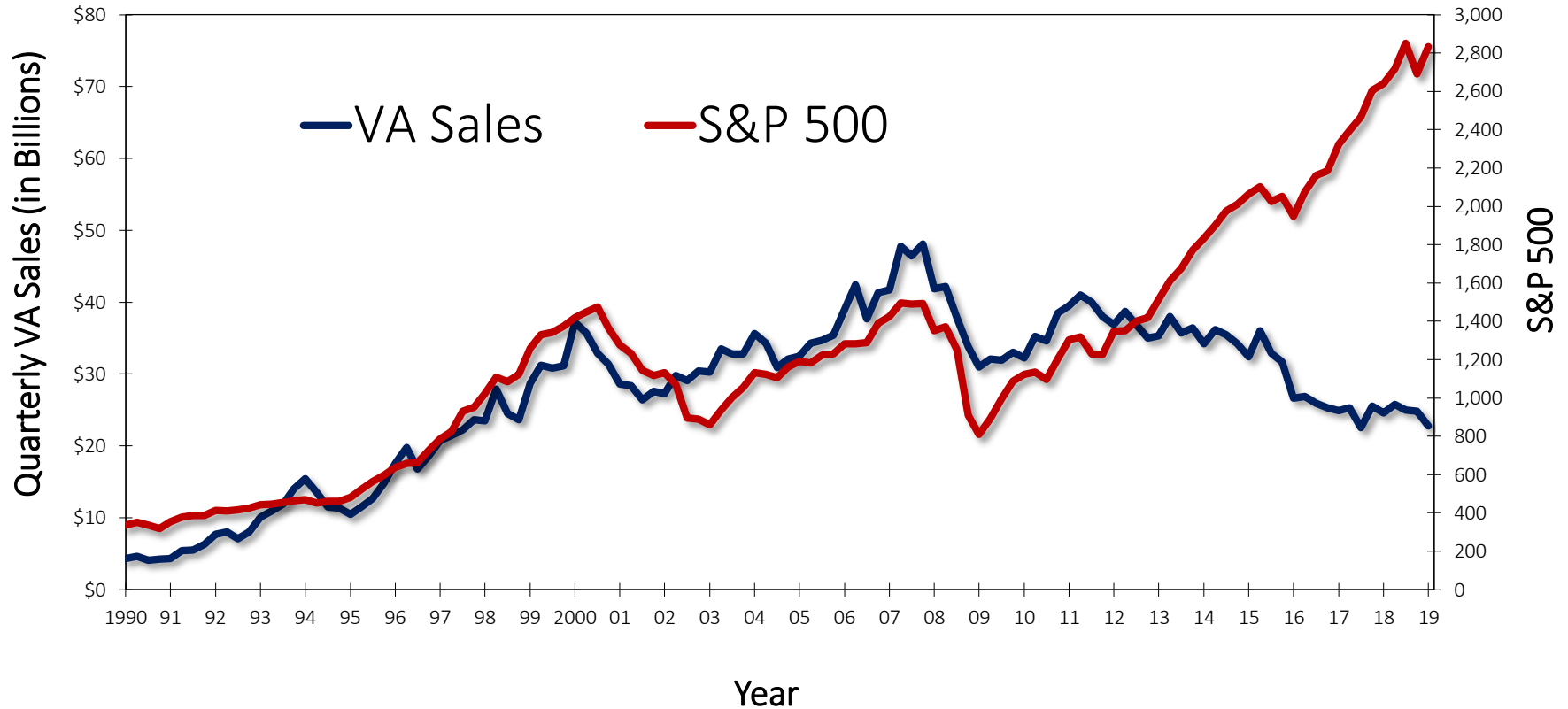
Source: LIMRA Secure Retirement Institute (Dollars in billions)

# VA Sales Timeline



Source: LIMRA Secure Retirement Institute (Dollars in billions)

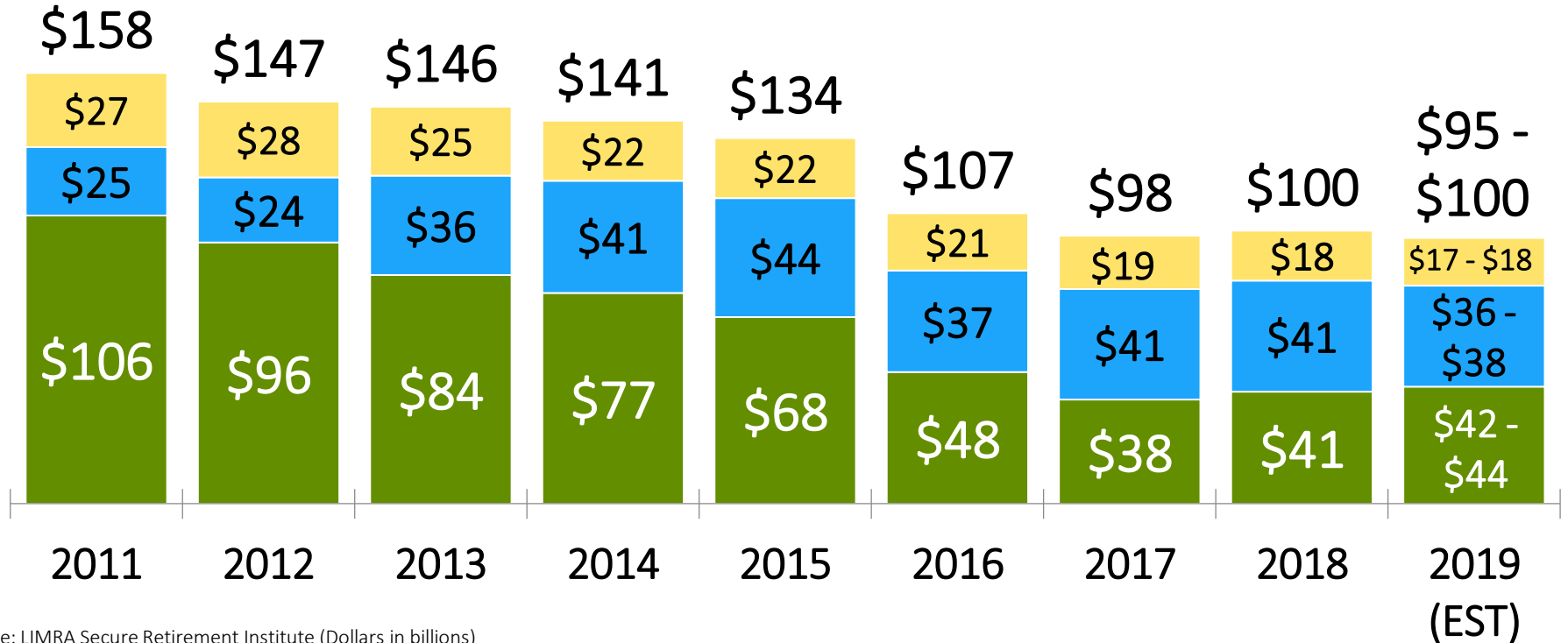
# VA Sales no longer in sync with equities



Source: LIMRA Secure Retirement Institute (Dollars in billions) & Oxford Economics

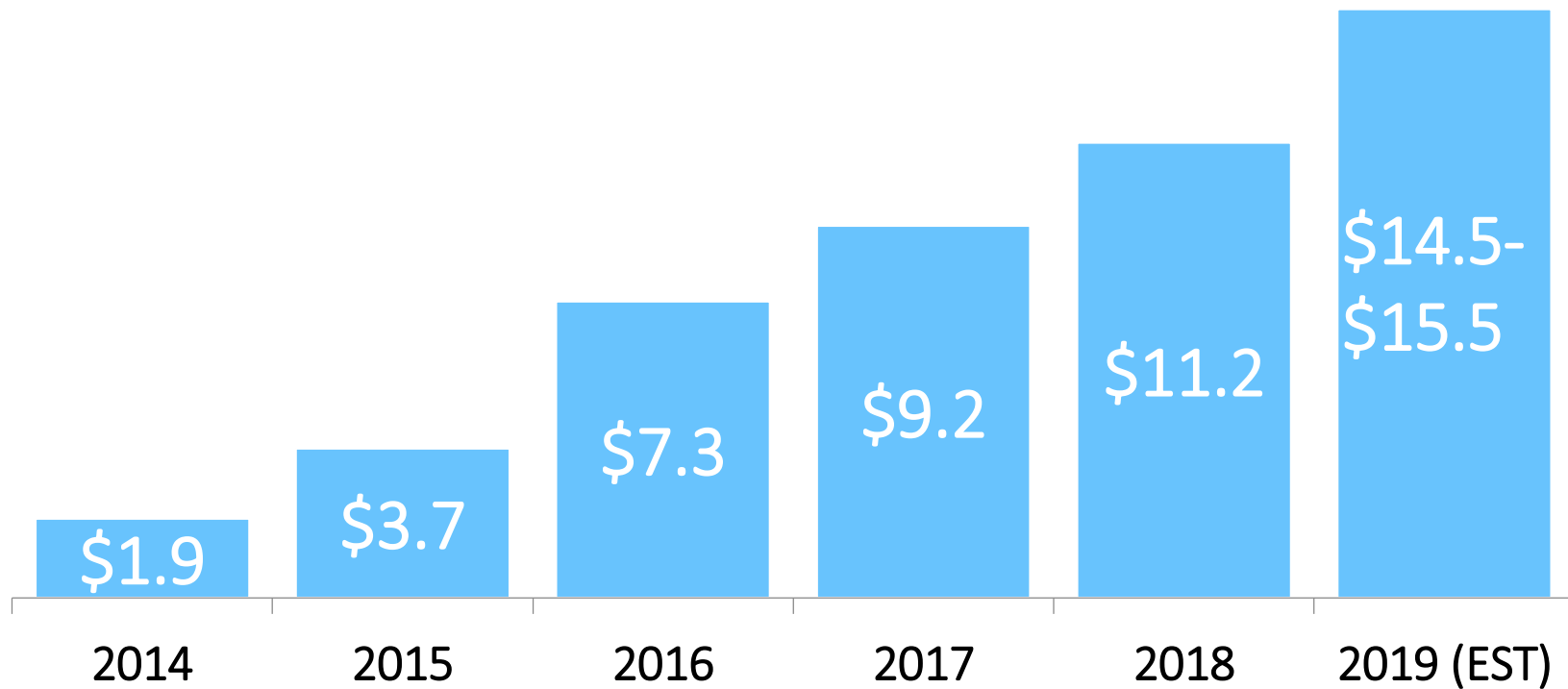
# VA Sales By GLB

■ VA employer plan sales   
 ■ VA sales - No GLB, either not available or elected   
 ■ VA sales - GLB elected



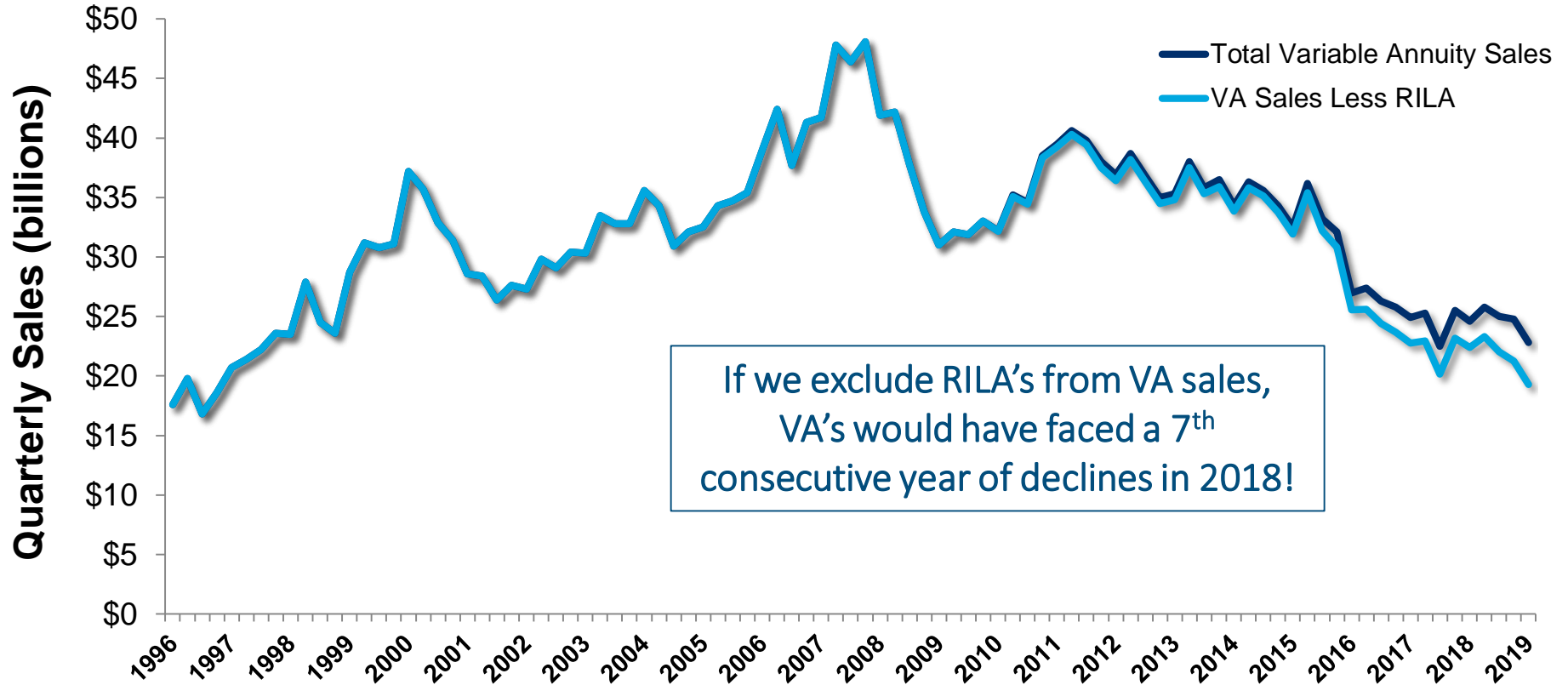
Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Registered index-linked annuities (RILA)



Source: LIMRA Secure Retirement Institute (Dollars in billions)

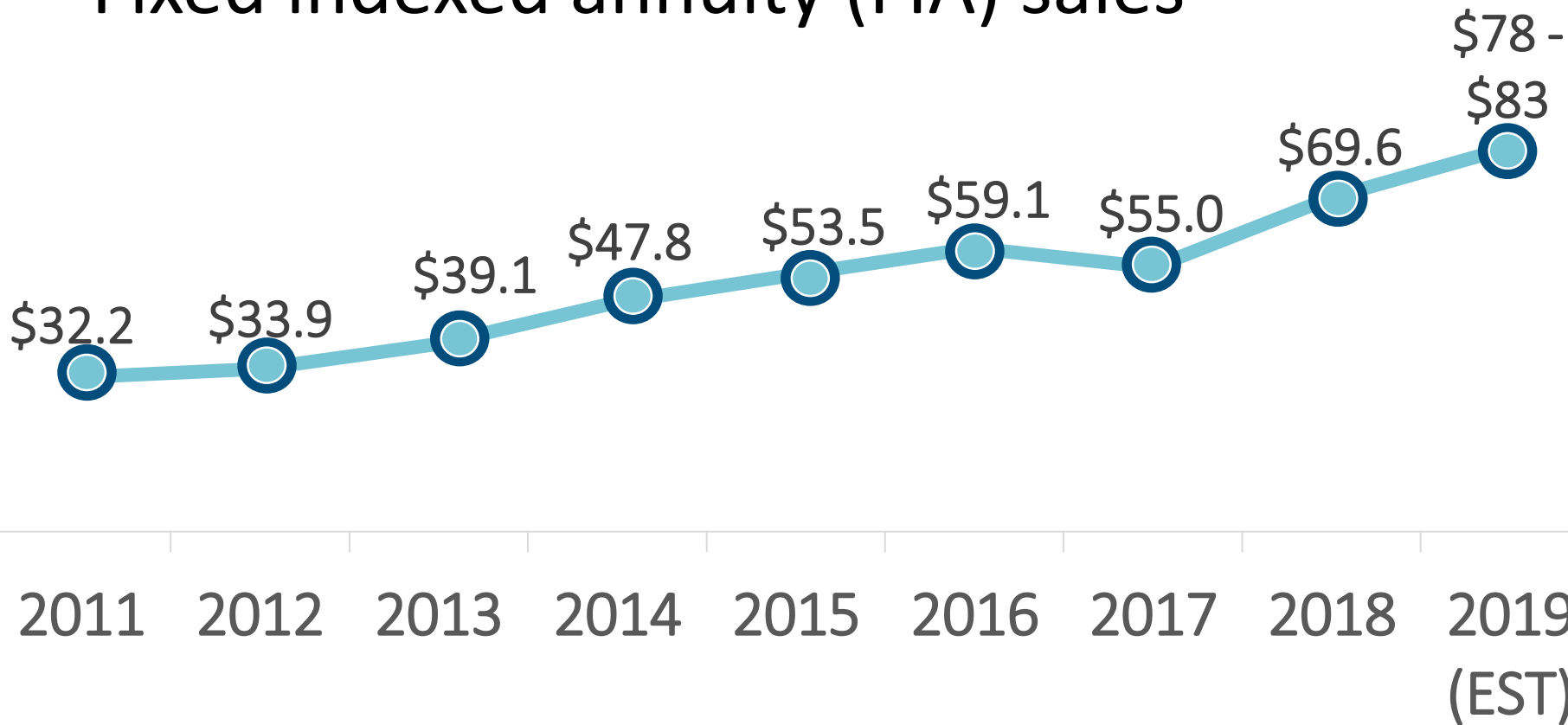
# RILAs have propped up VA growth



Source: LIMRA Secure Retirement Institute (Dollars in billions)

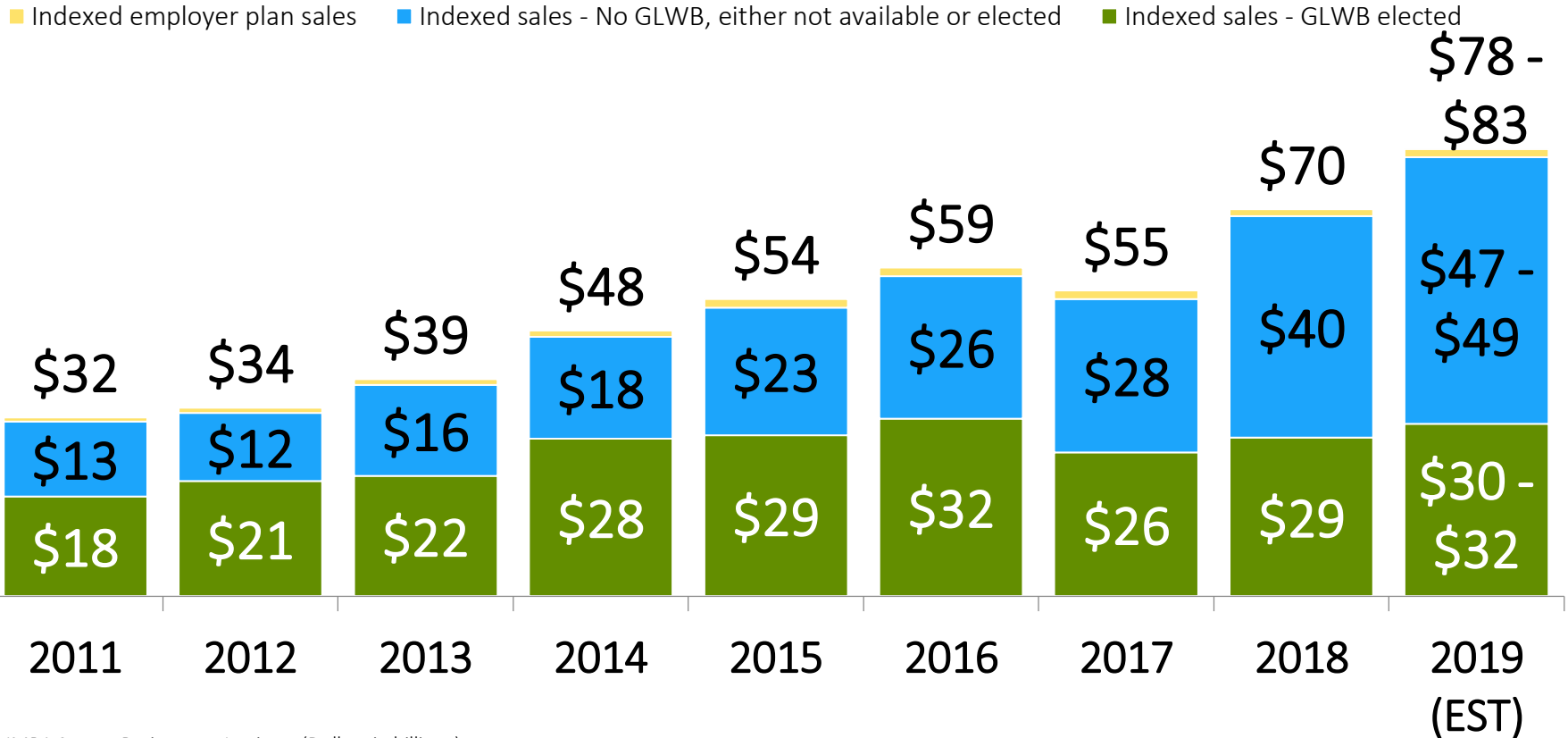


# Fixed indexed annuity (FIA) sales



Source: LIMRA Secure Retirement Institute (Dollars in billions)

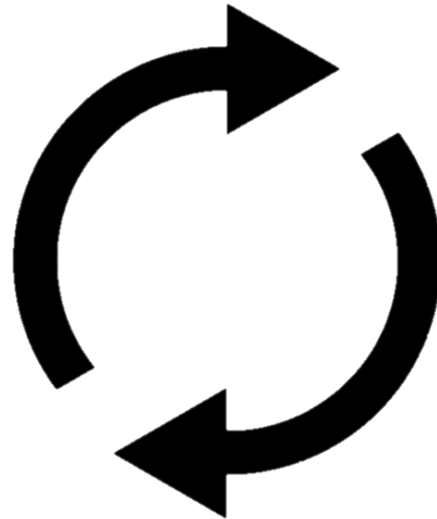
# FIA sales have shifted



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Market Share in 2011

FIA - With  
a GLB  
**56%**

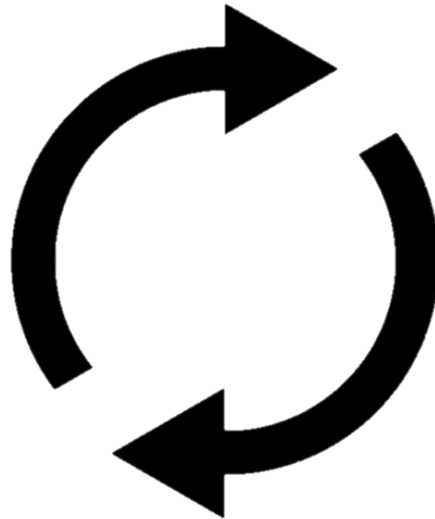


FIA - Without  
a GLB  
**42%**

Source: LIMRA Secure Retirement Institute (Dollars in billions)

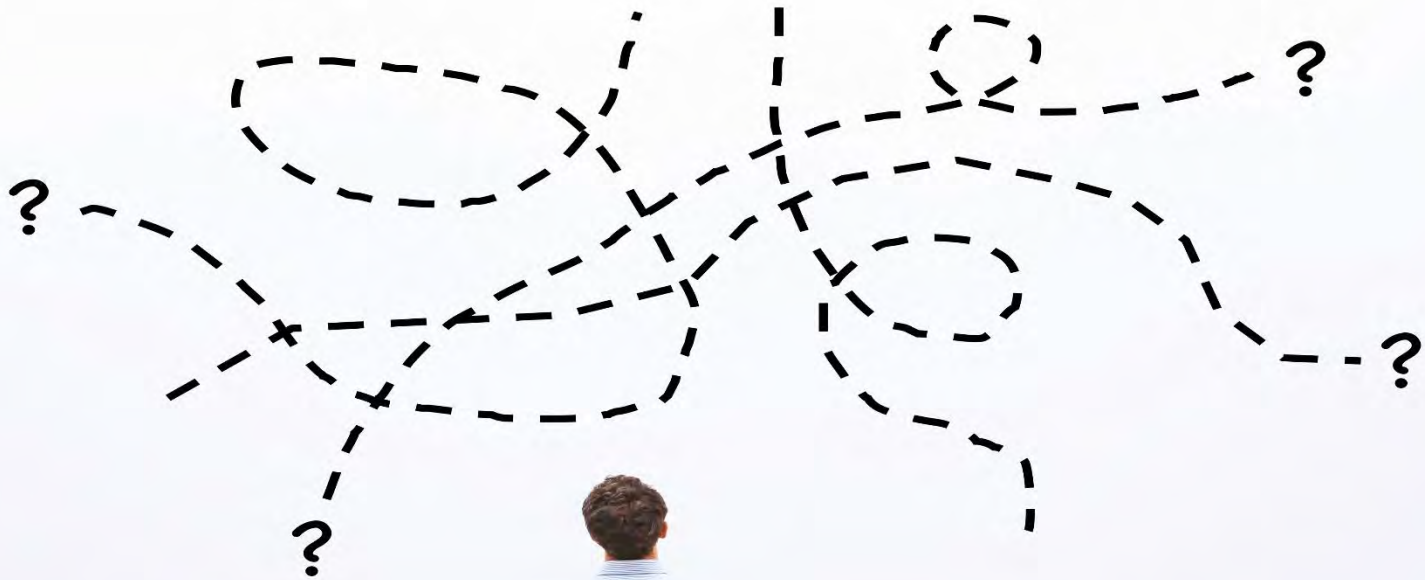
# Market Share in 2018

FIA - Without  
a GLB  
56%



FIA - With  
a GLB  
42%

Source: LIMRA Secure Retirement Institute (Dollars in billions)



What is driving  
record FIA flows?

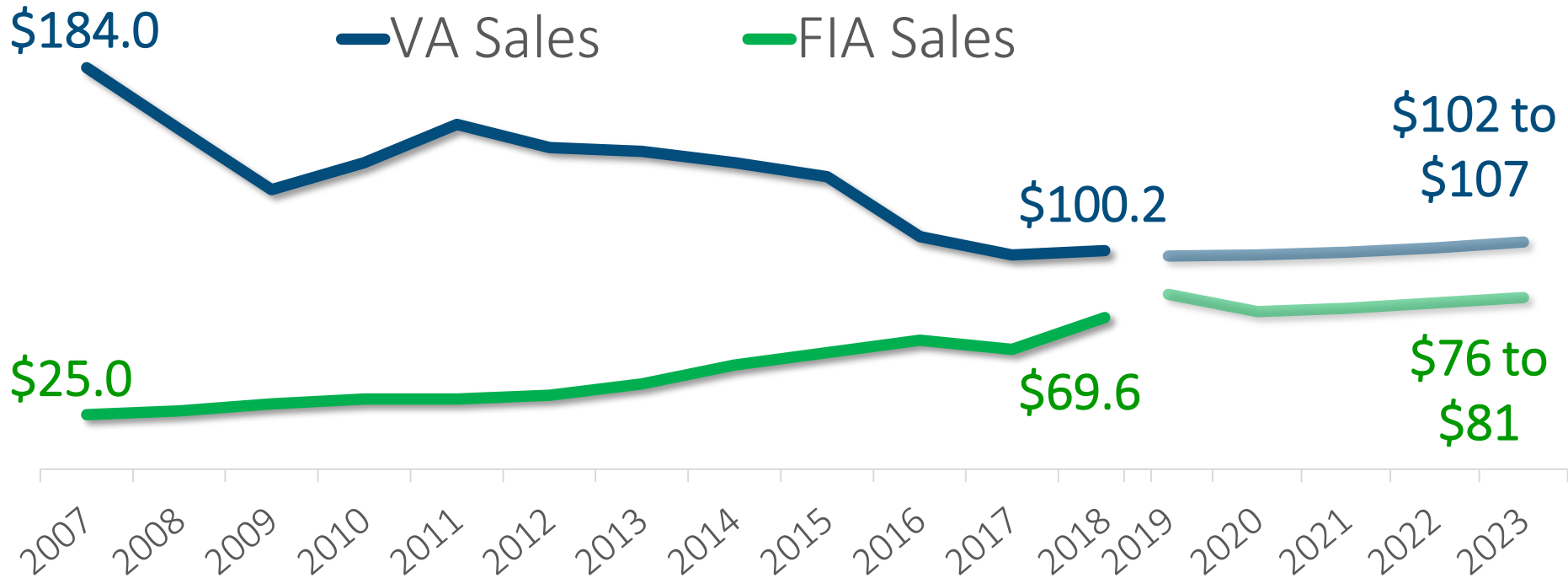


**OVERTAKE**

Will FIA sales  
overtake VA  
sales?

Sort of.....

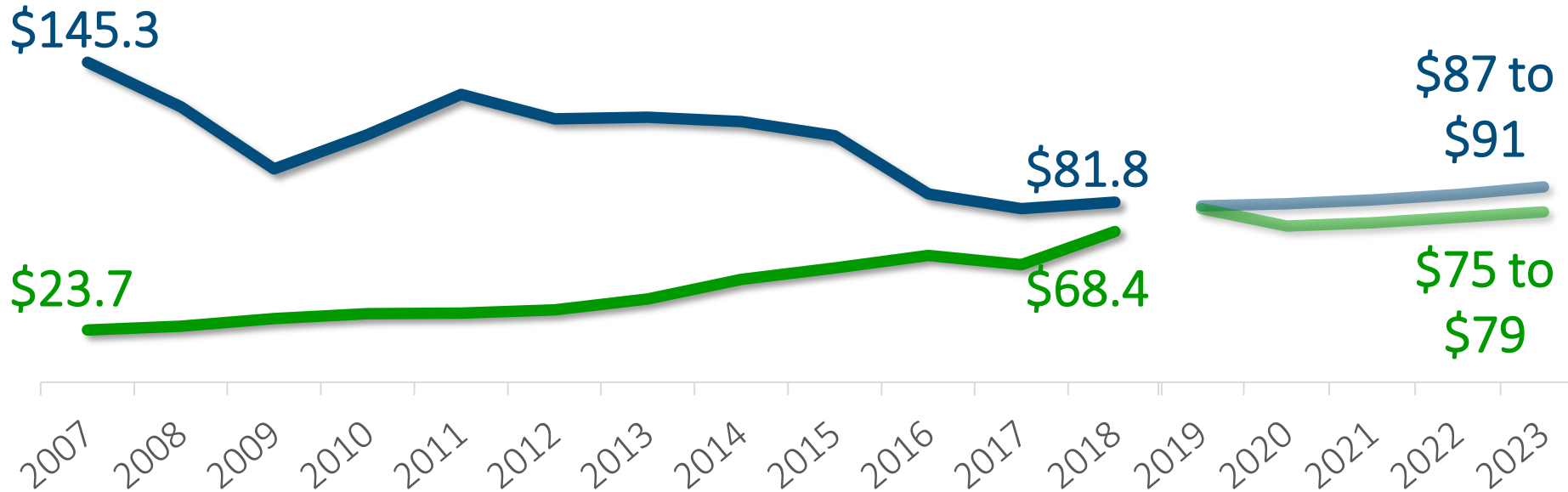
# Total VA versus FIA sales



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# RETAIL VA versus FIA sales

— VA RETAIL Sales — FIA RETAIL Sales



Source: LIMRA Secure Retirement Institute (Dollars in billions)





# RETAIL VA versus FIA NEW PREMIUM

—VA Retail NEW PREMIUM —FIA Retail NEW PREMIUM

\$101.4

\$36.1

\$68.4

\$66.5

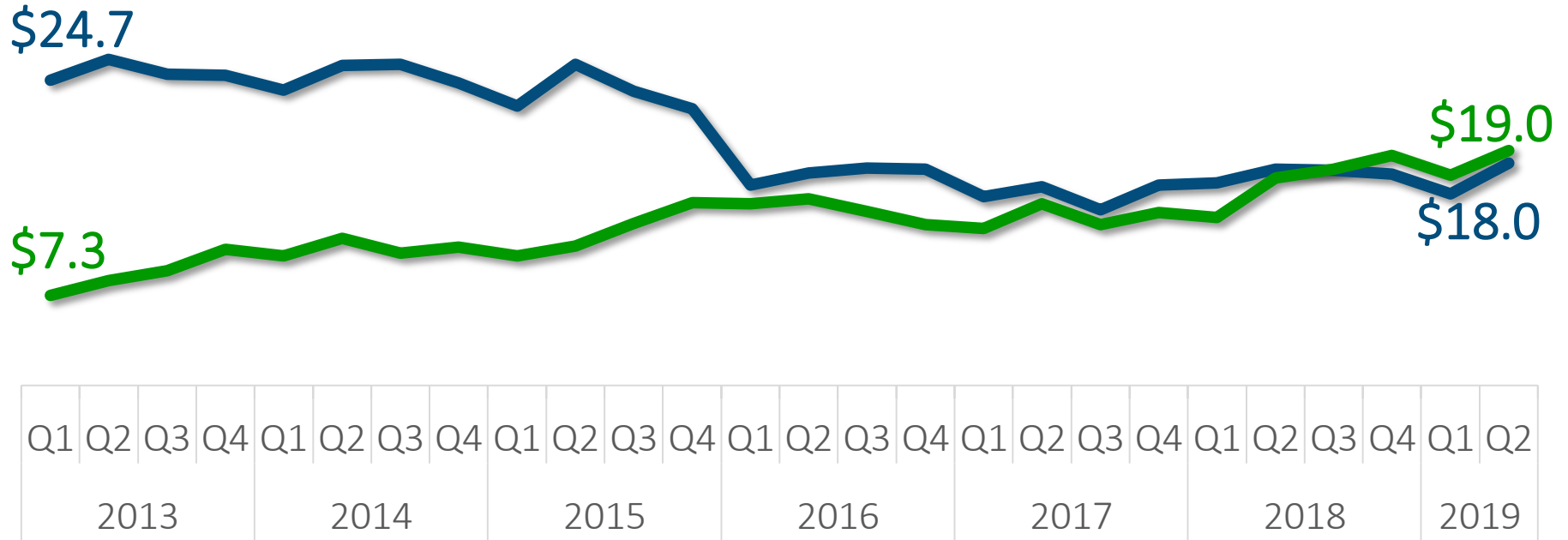


Source: LIMRA Secure Retirement Institute (Dollars in billions)



# RETAIL VA versus FIA NEW PREMIUM

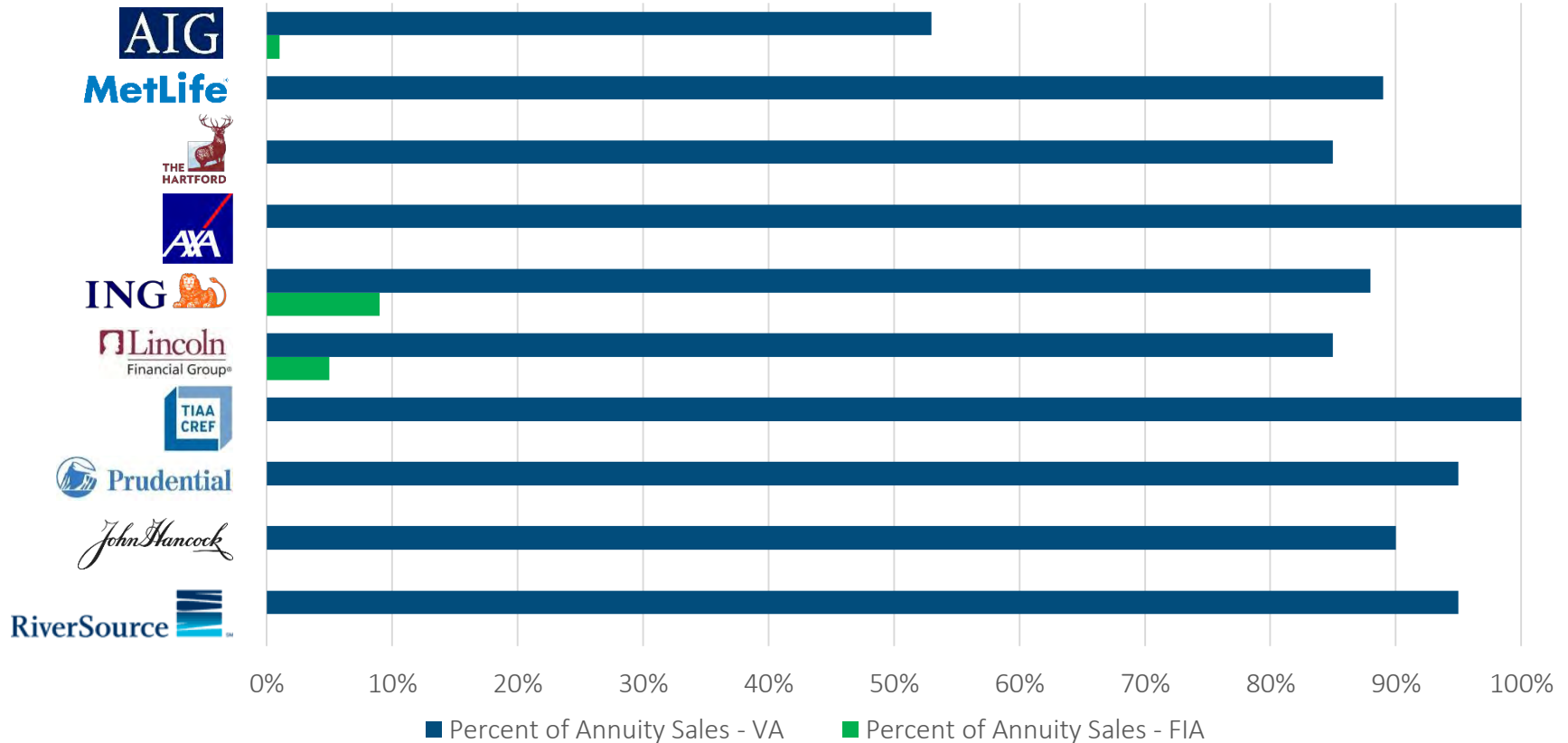
— VA Retail New Premium      — FIA Retail New Premium



Source: LIMRA Secure Retirement Institute (Dollars in billions)

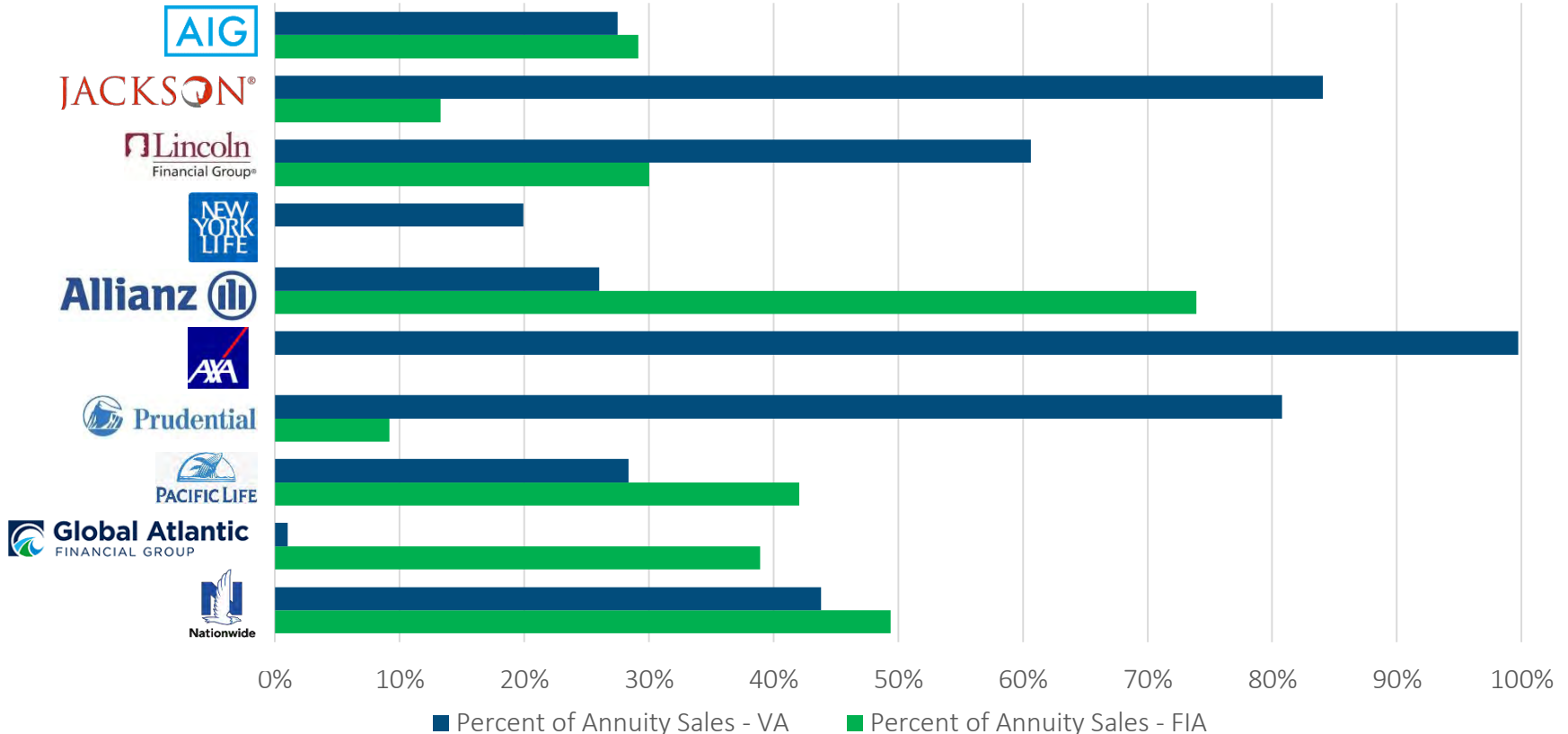
**TOP 10**

# Top Ten Annuity Manufacturers – 2007



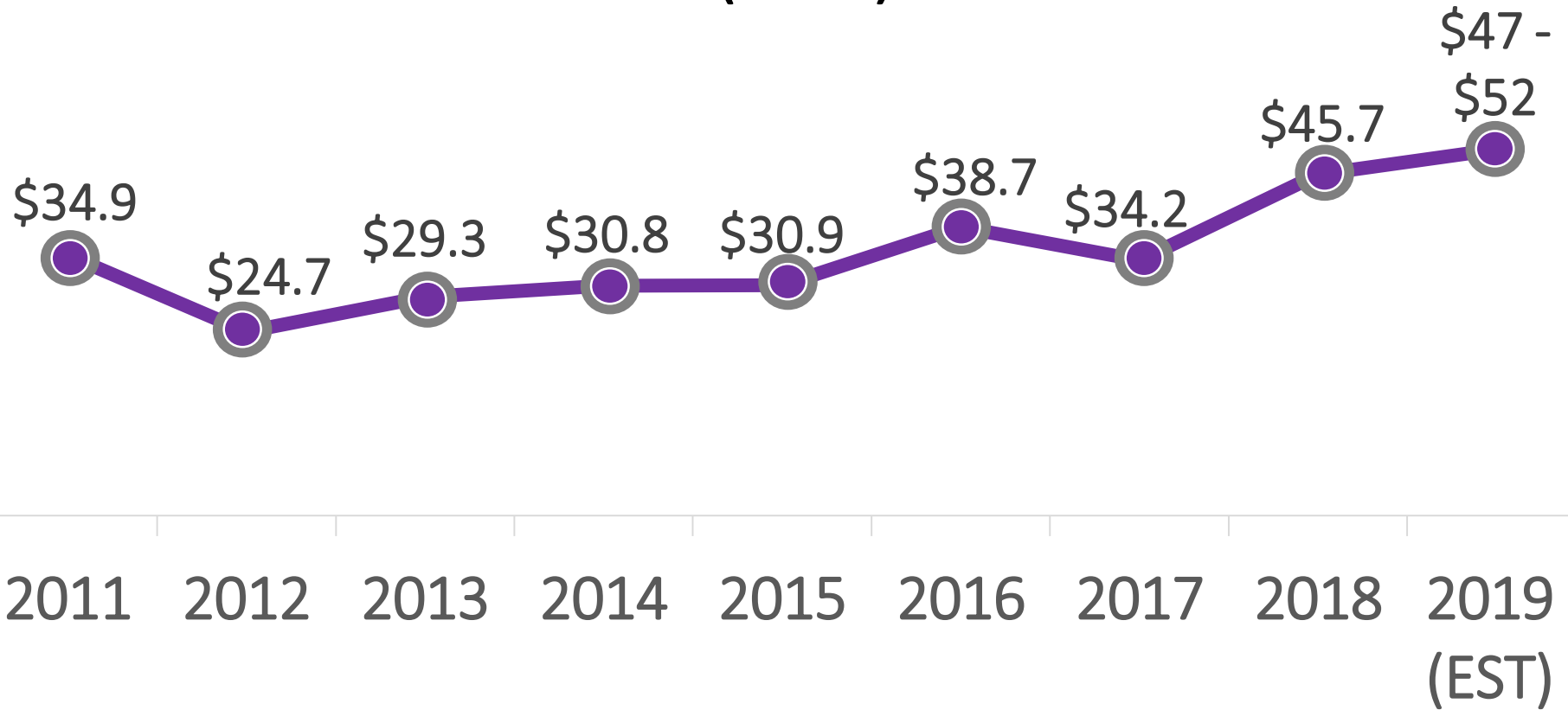
Source: LIMRA Secure Retirement Institute

# Top Ten Annuity Manufacturers – Q2 2019 YTD



Source: LIMRA Secure Retirement Institute

# Fixed-rate deferred (FRD) sales

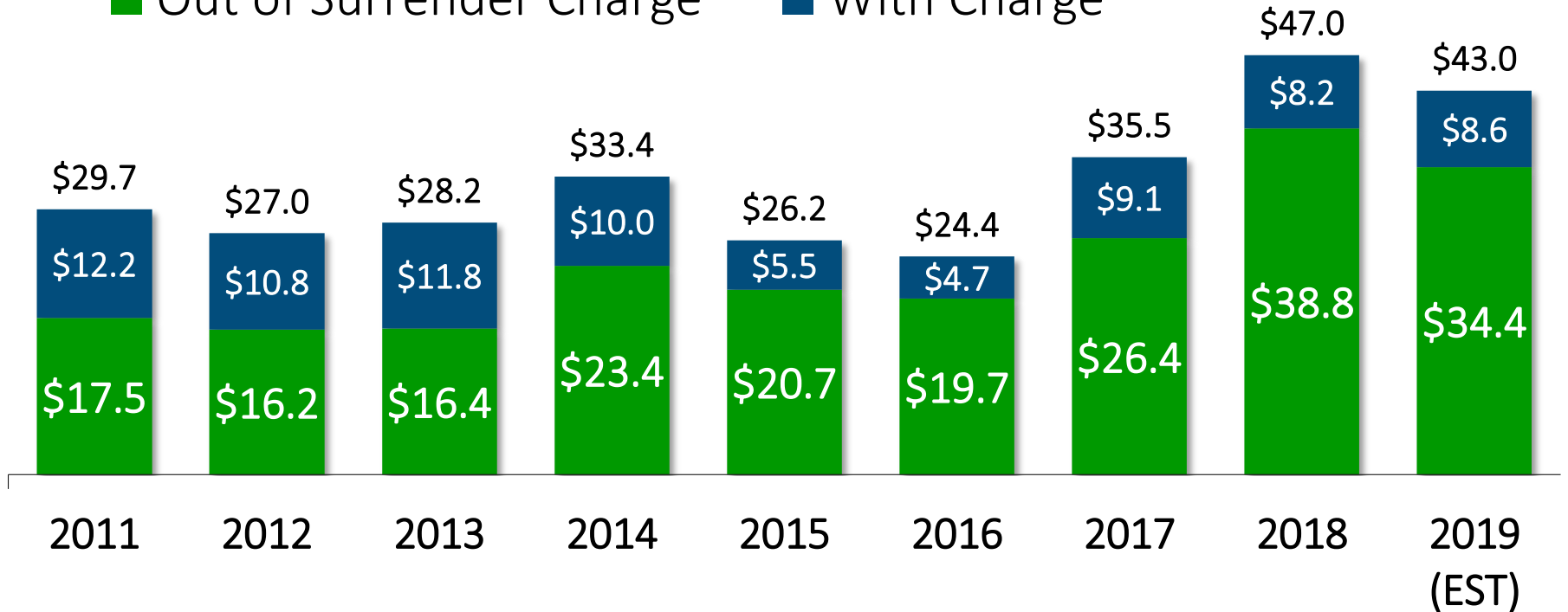


Source: LIMRA Secure Retirement Institute (Dollars in billions)



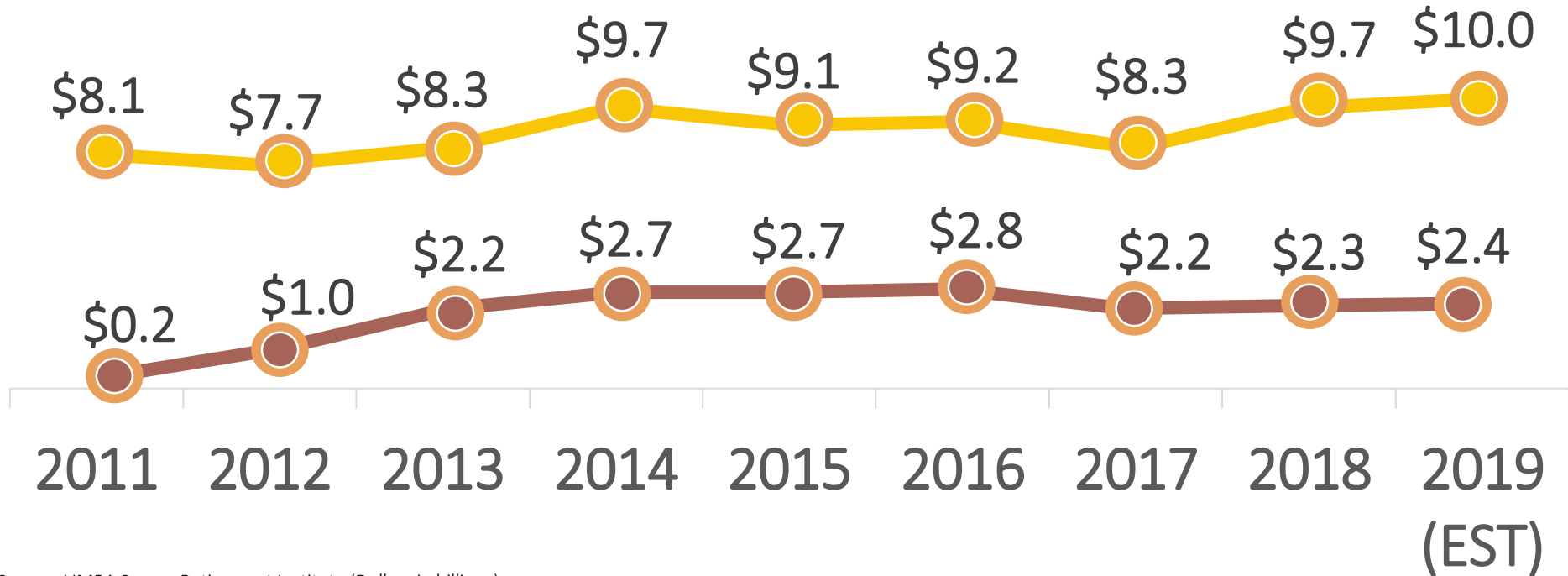
# Money in motion has increased for FRDs

■ Out of Surrender Charge    ■ With Charge



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Income annuity sales



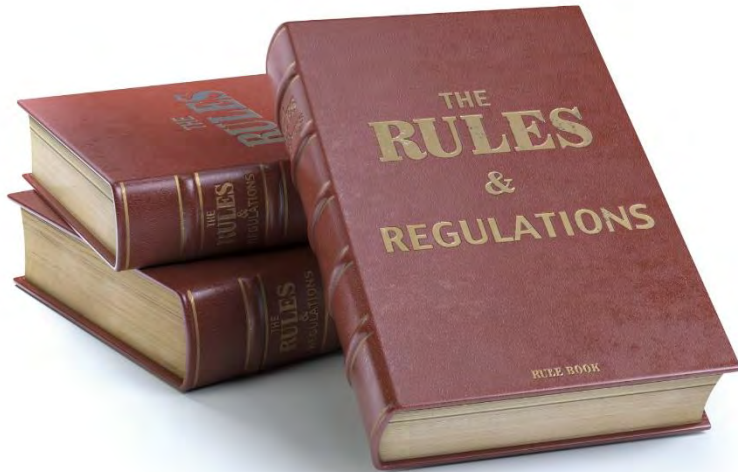
Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Key themes looking forward

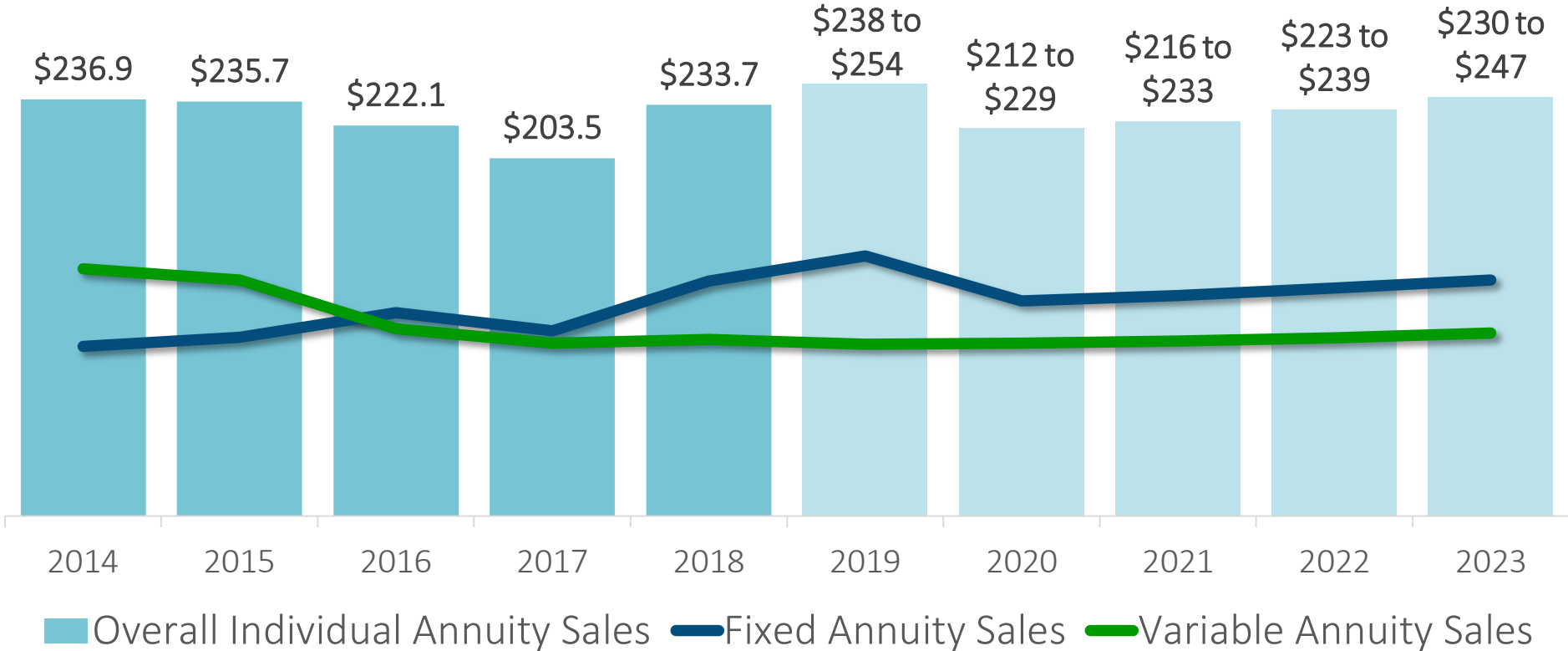
Regulatory & Economic Environment will have a substantial impact on the annuity market



# Regulatory & economic environment will have the biggest impact on annuity sales over the next 5 years



# Individual annuity sales projections



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# On the regulatory forefront



## SEC Regulation Best Interest



## NYDFS Suitability & Best Interest Regulation for Life and Annuities

# Uncertainties moving forward

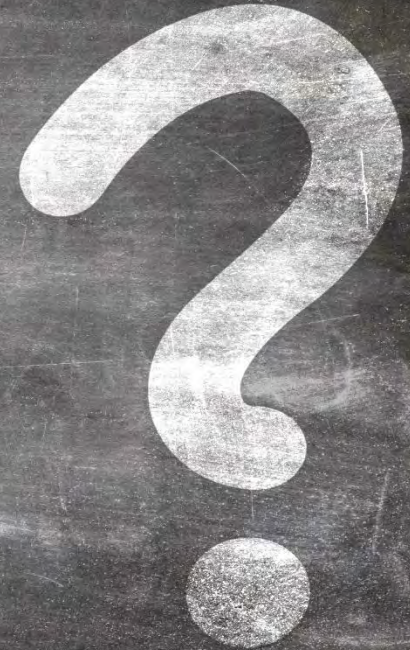


## DOL Fiduciary Rule 2.0



## Individual States – Best Interest / Fiduciary Regulation

WHAT  
ARE THE  
RULES





# Interest rate risk is real for manufacturers and consumers



Source: U.S Treasury

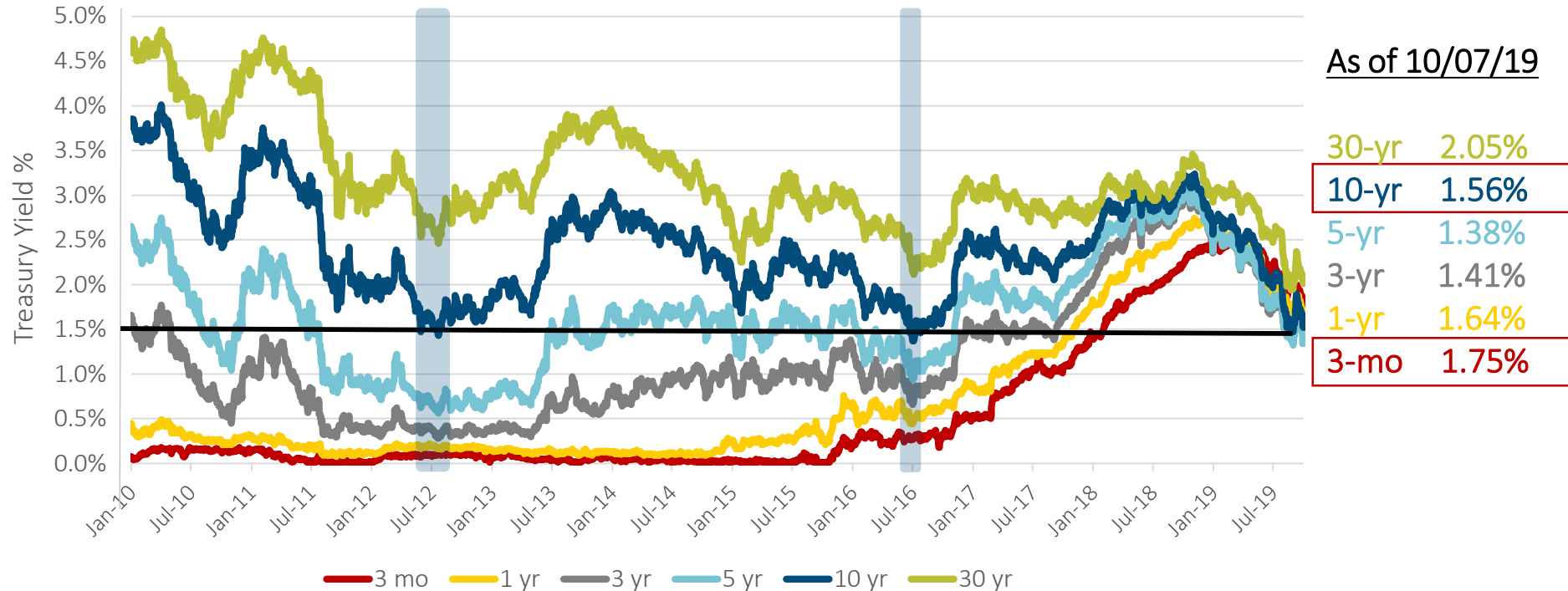
# Low for long is the outlook



Source: U.S Treasury & Oxford Economics

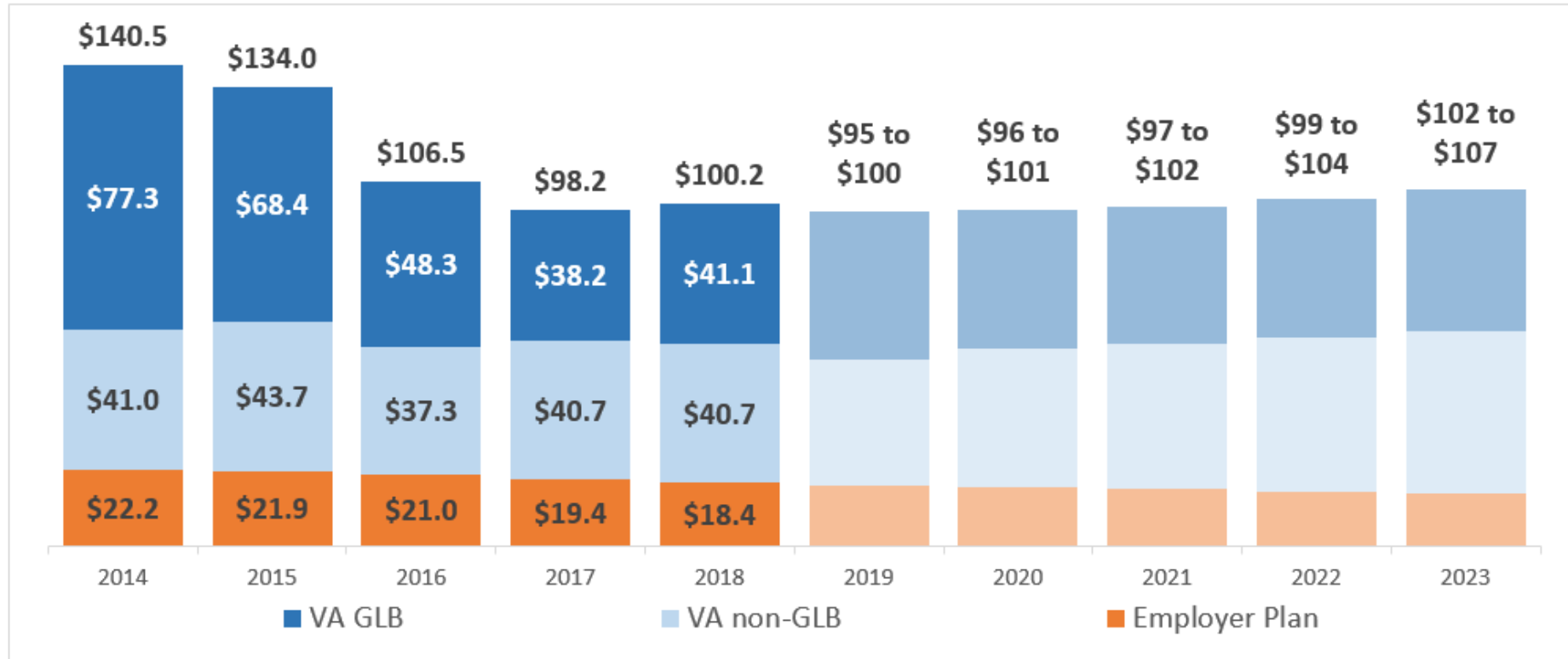
# The yield curve is much different this time

U.S. Treasury Yields



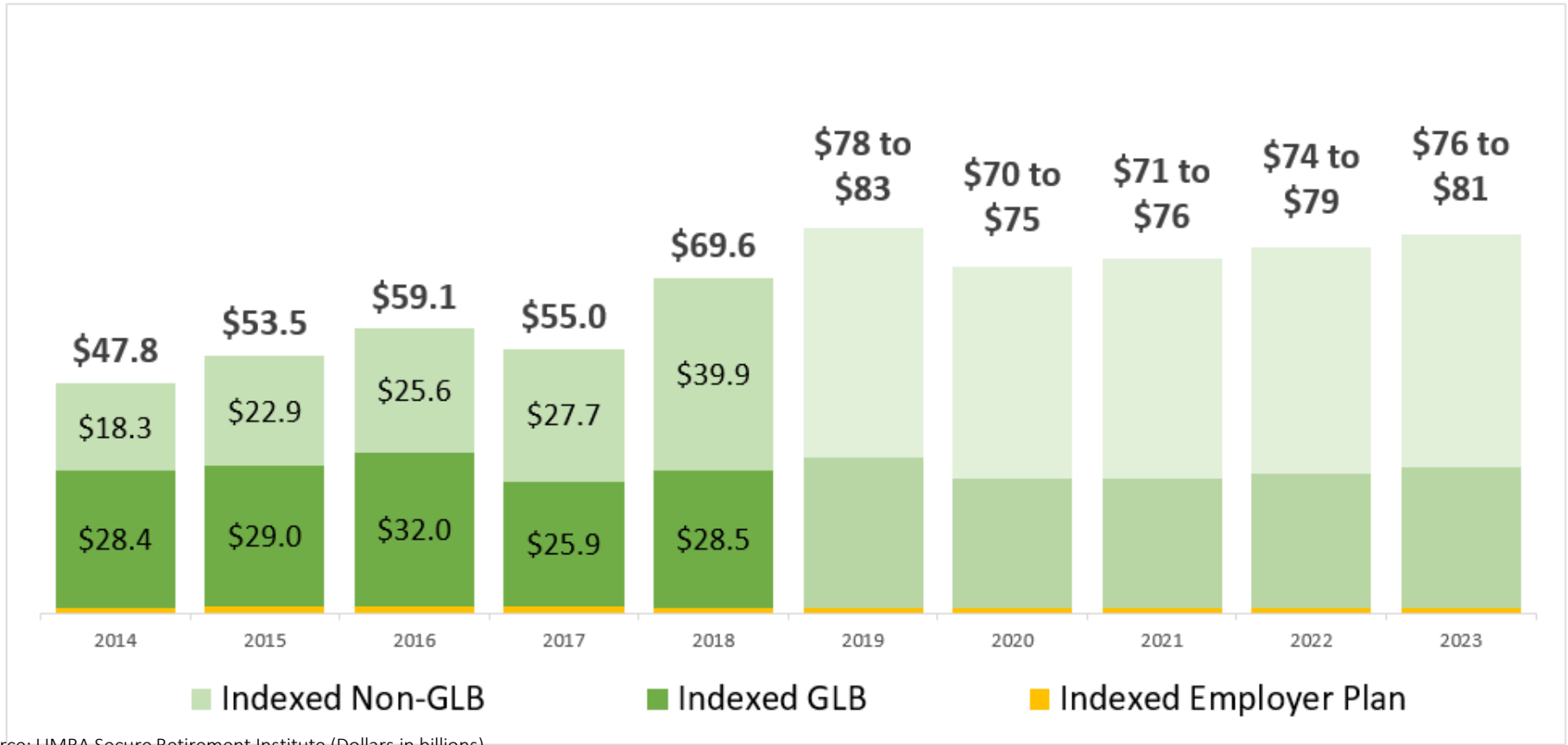
Source: U.S Treasury

# Expected impact to the VA market



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Expected impact to the FIA market



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Key themes looking forward

Guaranteed income sales will grow, but not as fast as accumulation products



# Americans buy annuities to layer on protection



Accumulation



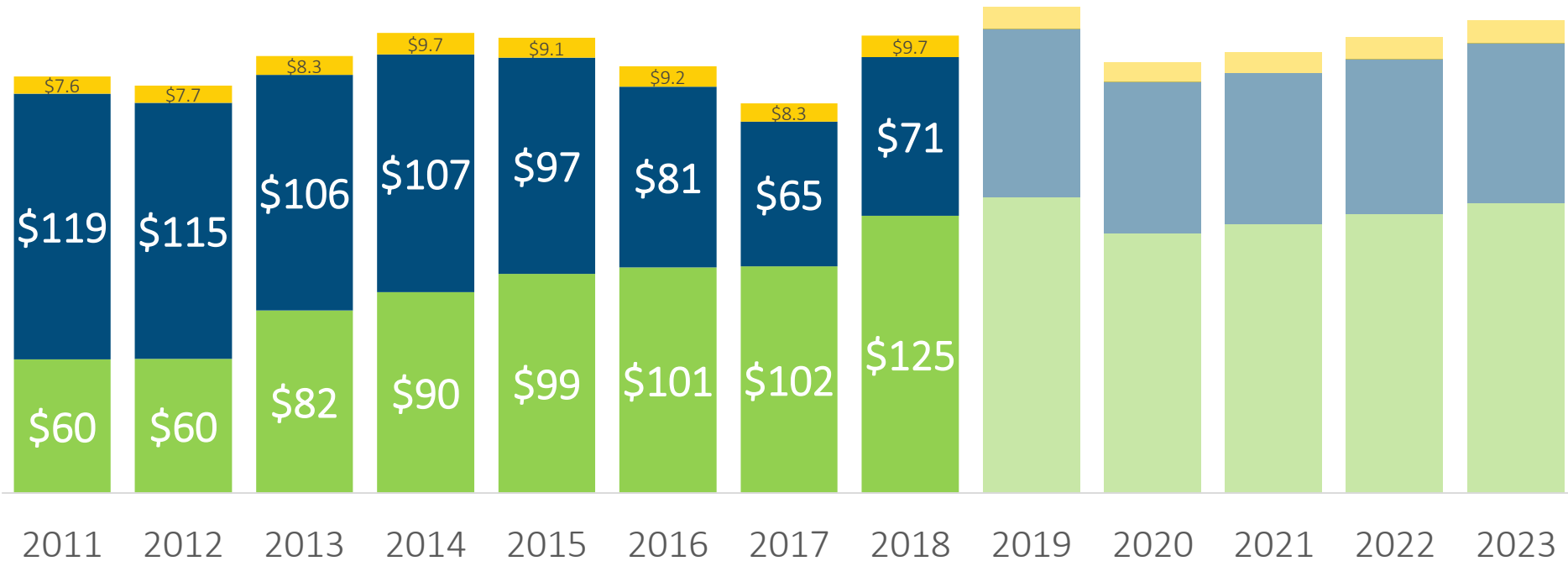
Income Later



Income Now

# Growth will be minimal over the next 5 years

■ Accumulation    
 ■ Income Later    
 ■ Income Now



Source: LIMRA Secure Retirement Institute (Dollars in billions)





# of Americans age 55+

2011

78.9 million

2018

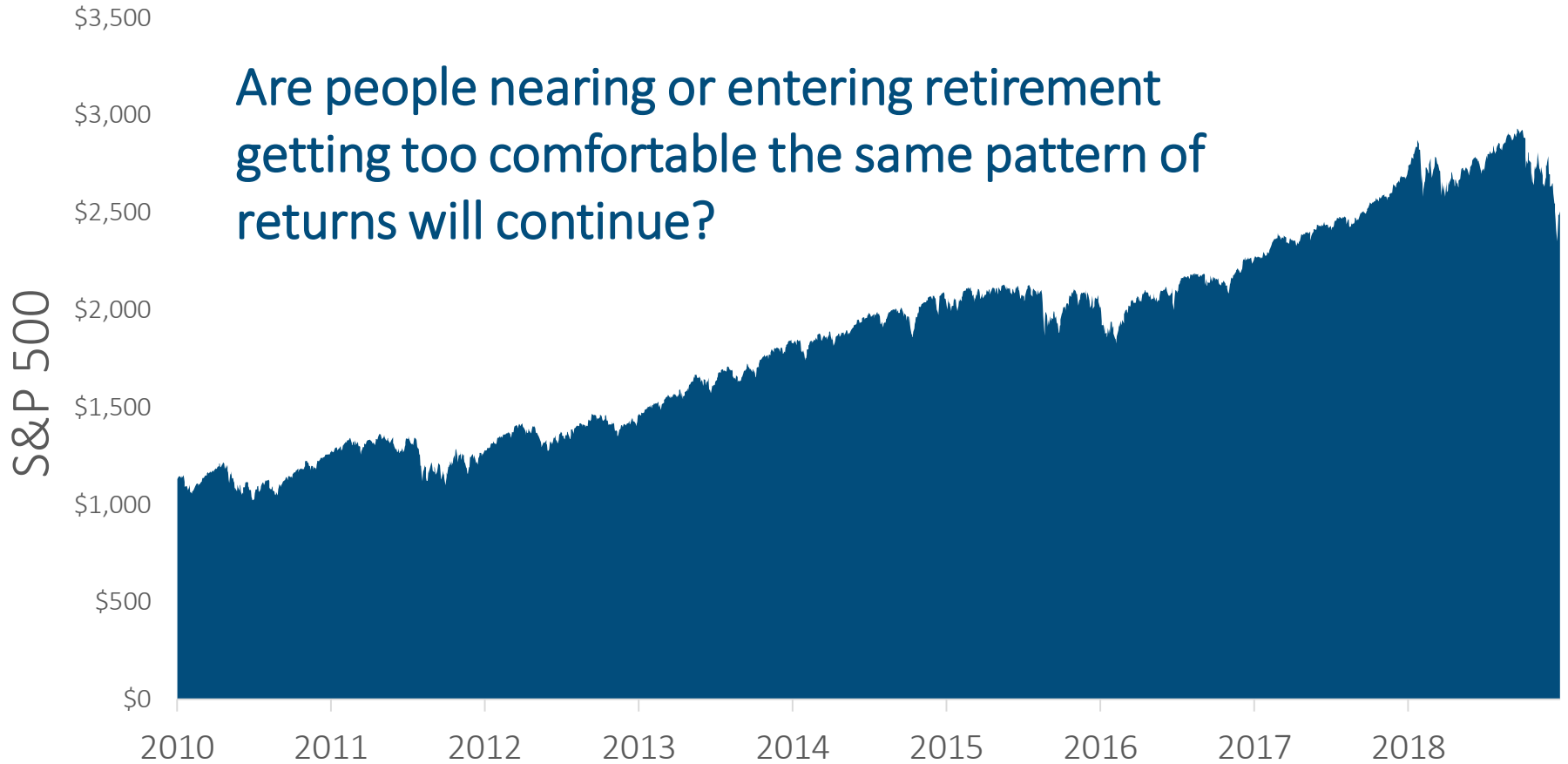
94.4 million

by 2023

103.1 million

Source: Oxford Economics

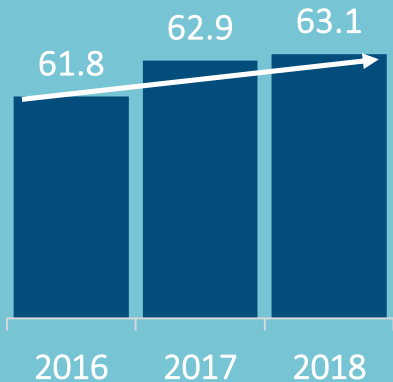
Are people nearing or entering retirement getting too comfortable the same pattern of returns will continue?



Source: Yahoo Finance

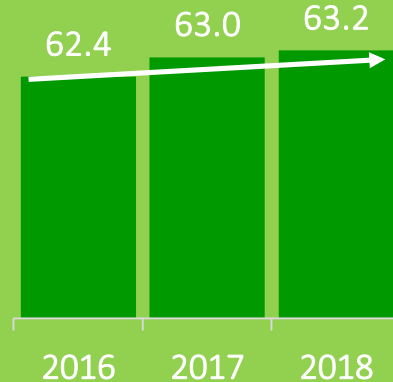
## VA GLB BUYERS

Average Age



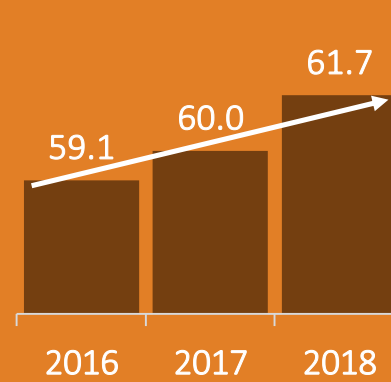
## FIA GLB BUYERS

Average Age



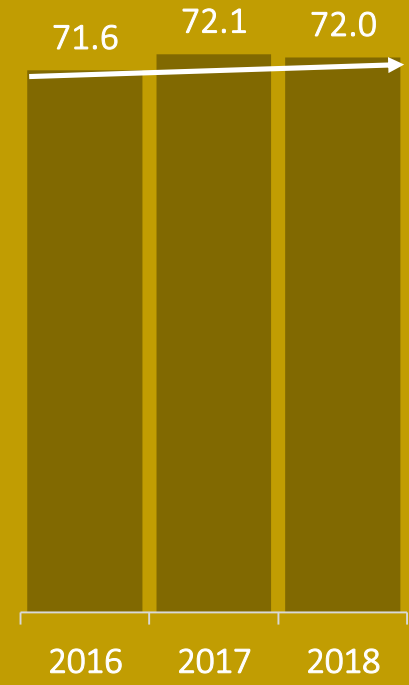
## DIA BUYERS

Average Age



## SPIA BUYERS

Average Age

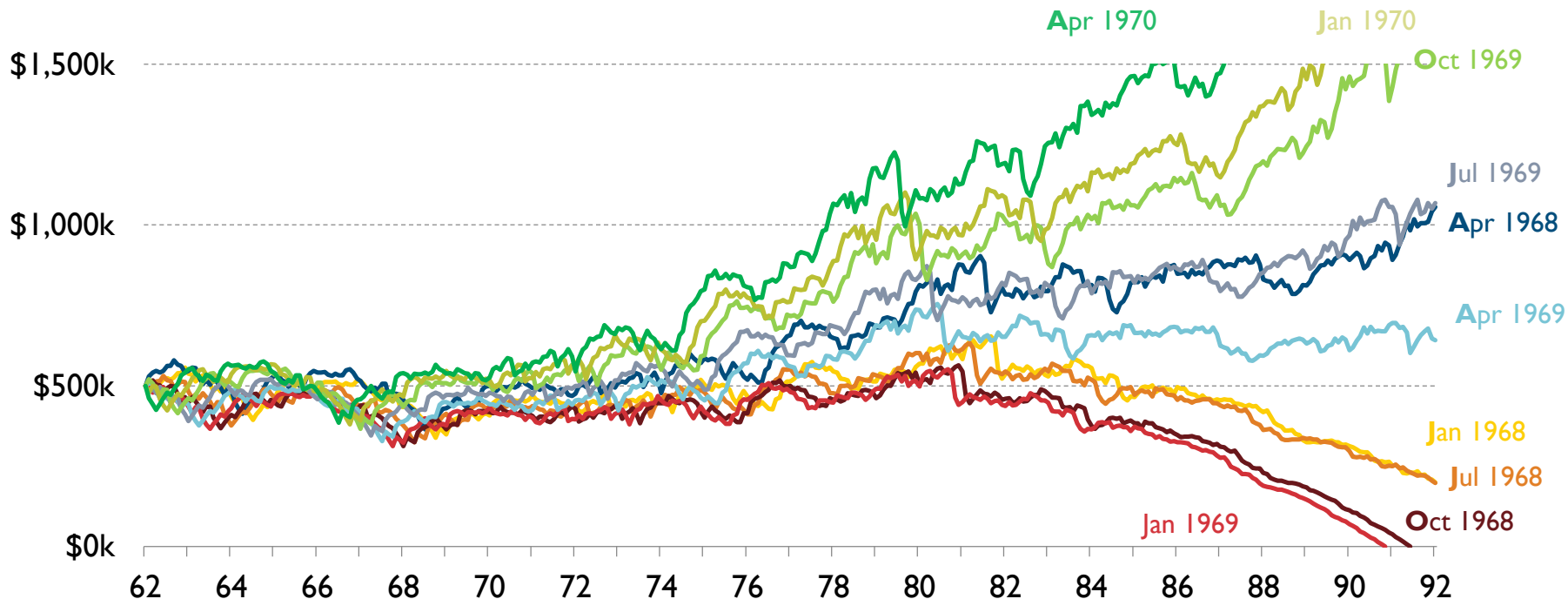


Source: LIMRA Secure Retirement Institute



Are Americans taking a risky bet on when to add guaranteed lifetime income to their portfolio?

# Retirement outcomes are unpredictable



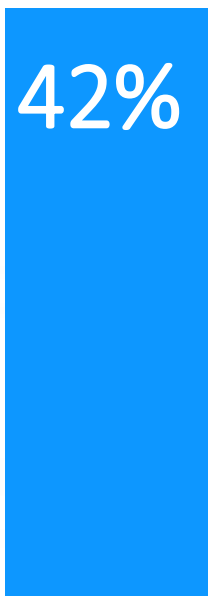
Source: LIMRA Secure Retirement Institute analysis. The portfolio has an asset allocation of 42.5% large company stocks, 17.5% small company stocks, and 40% intermediate-term government bonds and is rebalanced annually. The initial withdrawal amount was \$1,686 per month, or for the first year \$20,235 or 4.05% of beginning assets. The individual retiree withdrew the same dollar amount within each calendar year, and adjusted annually for the prior calendar year's inflation rate.



Source: LIMRA Secure Retirement Institute

*Dear Advisor,  
The 5 most  
valuable  
services are ...*

Minimize risk  
of running  
out of money



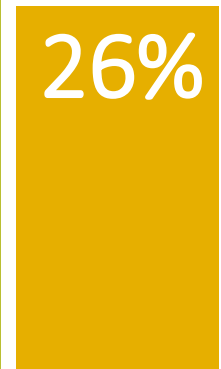
Protect  
portfolio  
principal



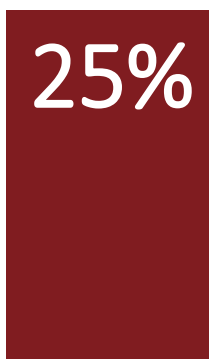
Minimize  
taxes



Have a more  
realistic  
picture of life  
I can afford in  
retirement



Maintain  
perspective  
and think  
clearly of  
events/  
trends



## Most Valued Advisor Services Percent of pre-retirees



Source: LIMRA Secure Retirement Institute



**COMPANY INC.**  
123 Street Name  
City Name, CA 90000

Pay to the order of this cheque  
Payee Name  
Payee Street Name, City

Cheque  
Client No. 12345

Date: January 10, 2013

Company Name Amount: USD 10247.40

The Sum of TEN THOUSANDS TWO HUNDRED AND FOURTY SEVEN 40/100 U.S. DOLLARS

Or Order

Payable at Bank Name  
Street Name  
City Name, CA 90000

For: Bank Branch Name  
*[Signature]*  
Authorized Signature

Around **\$30** billion was paid in  
guaranteed income in 2018!

Source: LIMRA Secure Retirement Institute



# Key themes looking forward

Understanding where assets will flow



# \$1.3 trillion!



will leave deferred annuity products in the next 5 years

# More money is leaving than entering

Cumulative Deferred Annuity Outflows 2019-2023 (billions)

Variable

\$800-\$850

Fixed-Rate Deferred

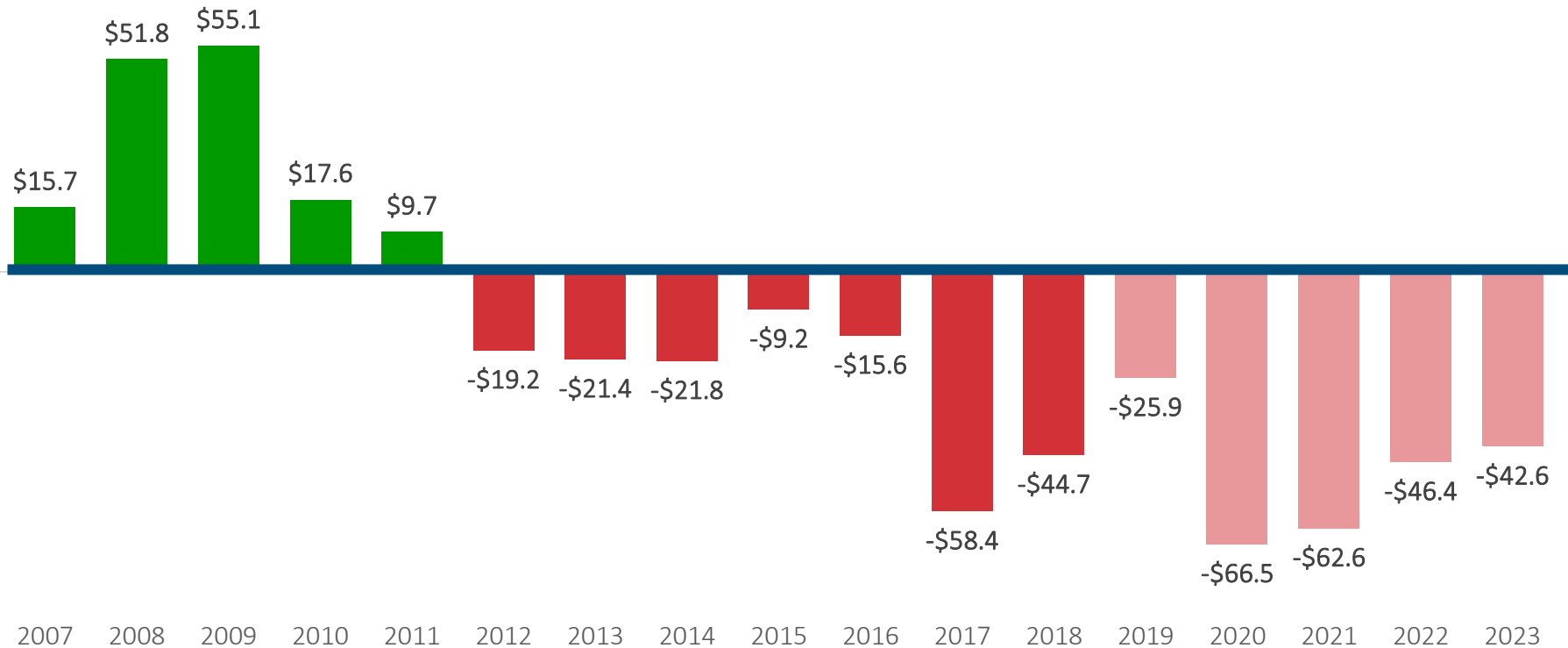
\$265 - \$285

Indexed

\$200 - \$225

Source: LIMRA Secure Retirement Institute (Dollars in billions)

# More money is leaving than entering



Source: LIMRA Secure Retirement Institute (Dollars in billions)

# Help clients at key retirement milestones



## U.S. Retirement Milestones

- AGE **55** If retired, may withdraw 401(k) savings without penalty
- AGE **59½** Can withdraw tax-deferred assets without IRS penalty
- AGE **62** Partial Social Security benefit eligibility
- AGE **65** Medicare benefit eligibility
- AGE **66-67** Full Social Security benefit eligibility
- AGE **70** Maximum Social Security benefit eligibility
- AGE **70½** Must take RMD (required minimum distribution)

Source: LIMRA Secure Retirement Institute

**SUCCESS**

**KEEP ON DOING**

**DO**

**TRY**

**PLANNING**

**ANALYSIS**

**THINK**

**START**





# LIMRA

*Advancing the financial services industry by  
empowering our members with knowledge, insights,  
connections and solutions*





**Todd Giesing**

Director, Annuity Research  
LIMRA Secure Retirement Institute  
tgiesing@limra.com  
860-285-7899

**Teodor (Teddy) Panaitisor**

Senior Research Analyst  
LIMRA Secure Retirement Institute  
tpanaitisor@limra.com  
860-285-7894



**SOCIETY OF  
ACTUARIES®**