

After record sales year for annuities, LIMRA predicts strong 2024

By Editorial Staff Mon, Mar 4, 2024

For all of 2023, FRD annuity sales totaled \$164.9 billion, up 46% from the record set in 2022, and more than triple the 2021 sales (\$53.1 billion), according to LIMRA.

Sales of fixed rate deferred (FRD) annuities will likely exceed \$100 billion in 2024 and 2025, according to LIMRA. Analysts at the marketing and research arm of the life/annuity industry expect FRD sales to be well below 2023's record but double 2021's sales.

Even though equity volatility has calmed down, the inflation rate is still above 3%. So the Federal Reserve isn't likely to rush into rate cuts this year, LIMRA believes. The Fed's caution on rates should continue to support sales of FRD annuities over the next few years.

Renewals should be strong. Most of the FRD products (88%) sold over the past few years were 3-year and 5-year contracts. Many contracts will leave their surrender periods in 2024 and 2025. LIMRA predicts that many of these contracts will be renewed or rolled over into another FRD product and that FRD sales will continue to be much higher than pre-2022.

In January of this year, LIMRA announced preliminary fixed-rate deferred (FRD) annuity sales of \$58.5 billion for the fourth quarter of 2023. That was 52% higher than fourth quarter 2022 sales and 10% higher than all FRD annuity sales in 2021. For all of 2023, FRD annuity sales totaled \$164.9 billion, up 46% from the record set in 2022, and more than triple the 2021 sales (\$53.1 billion).

All annuity sales in 2023

Propelled by \$286.6 billion in fixed annuity sales, total U.S. annuity sales reached a record-high \$385.4 billion in 2023, jumping 23% year over year, according to final results from LIMRA's U.S. Individual Annuity Sales Survey.

"For the second consecutive year, annuity sales have surpassed previously held records, largely due to broader engagement with independent distribution. Rising interest rates have made annuities very attractive to a larger group of investors who are served by independent advisors and broker dealers," said Bryan Hodgens, head of LIMRA research. "LIMRA data shows independent agents' and broker-dealers' sales collectively grew 70% from 2022 and represented 41% of 2023 sales."

In the fourth quarter, total annuity sales were \$115.7 billion, a 29% increase from the fourth

quarter of 2022 and 23% higher than the record set in first quarter 2023.

Fixed-Rate Deferred

Total fixed-rate deferred annuity sales were \$58.5 billion in the fourth quarter, 52% higher than fourth quarter 2022 sales. This is the best sales quarter for fixed-rate deferred annuities ever documented. In 2023, fixed-rate deferred annuities totaled \$164.9 billion, up 46% from the 2022 annual high of \$113 billion.

“In addition to favorable interest rates, demographics have also played a role in the surge of fixed-rate deferred sales,” said Hodgins. “The number of Americans over age 60 continues to grow and many more of them will be relying on Social Security and their savings to fund their retirement. Given the economy of the past few years, it isn’t surprising that more are buying a product offering investment protection and guaranteed growth at a higher rate than money market accounts and CDs.”

Fixed Indexed Annuities

Fixed indexed annuity (FIA) sales also had a record year. In 2023, FIA sales totaled \$95.9 billion, up 20% from the prior year. In the fourth quarter, FIA sales were \$24.9 billion, a 12% increase from fourth quarter 2022.

“FIA sales by independent agents and independent broker dealers increased 29% year over year and represented more than 74% of the total FIA sales,” noted Hodgins. “We continue to see a shift to independent distribution. Rising interest rates helped increase demand for clients looking to protect their principal investment from equity market volatility while benefiting from higher crediting rates.”

Income Annuities

Higher interest rates also lifted income annuity product sales. Single premium immediate annuity (SPIA) sales were \$3.6 billion in the fourth quarter, 13% higher than the prior year’s results. In 2023, SPIA sales jumped 45% to \$13.3 billion, setting a new annual sales record.

Deferred income annuity (DIA) sales were \$1.3 billion in the fourth quarter, increasing 32% from sales in the fourth quarter 2022. For the year, DIA sales nearly doubled (up 97%) to \$4.2 billion.

Registered Index-Linked Annuities

Registered index-linked annuity (RILA) sales were \$13 billion in the fourth quarter, up 29% from the fourth quarter 2022. This marks the first time RILA product sales have surpassed traditional variable annuity sales. Total RILA sales reached \$47.4 billion in 2023, 15% higher than prior year and a new all-time high for the product line's sales.

Traditional Variable Annuities

Despite the strong equity market growth in 2023, traditional variable annuity (VA) sales fell for the quarter and the year. Fourth quarter traditional VA sales fell 3% year over year to \$12.3 billion and total 2023 sales dropped 17% to \$51.4 billion.

For more details on the sales results, go to [Fourth Quarter 2023 Annuities Industry Estimates](#) in LIMRA's [Fact Tank](#).

- To view the top 20 rankings of total, variable and fixed annuity writers in 2023, see [2023 Top 20 Annuity Rankings](#).
- To view the top 20 rankings of traditional VA and RILA sales leaders in 2023, visit [2023 Variable Annuity Breakout Rankings](#).
- For the top 20 rankings of fixed-rate deferred, fixed indexed and payout annuity writers in 2023, visit [2023 Fixed Annuity Breakout Rankings](#).

Third quarter 2023 annuity industry estimates are based on LIMRA's quarterly annuity sales survey, which represents 88% of the total market.

Tailwinds for FRD annuities

While certificates of deposit (CDs) and FRDs offer similar benefits—relatively short-term commitment, principal protection and a guaranteed rate of return—CD rates haven't kept pace with FRD rates. The average crediting rate for a 3-year FRD annuity product has routinely outperformed the average 3-year CD rates, often at least doubling the return, research shows.

FRD annuity issuers can offer better rates because their underlying investments are more diverse. Banks, the primary seller of CDs, make money on loans (commercial loans, mortgages, and personal loans), where the margins are much smaller. Life/annuity companies invest in corporate and government bonds, stocks, mortgages, real estate and policy loans. These investments are often longer-term than bank loans and therefore can offer higher returns.

More than four million Americans turned 65 in 2023, according to the Retirement Income Institute. That trend will continue through 2029. The Organization for Economic Cooperation and Development says that the number of Americans ages 60–64 has doubled to over 21 million since 2000. The average age of a fixed rate deferred (FRD) annuity buyer is 62, LIMRA research shows.

A recent LIMRA study showed that, among those who said they would choose an FRD product in 2023, their top three motives were safety (66%), a preference for protection over gains (54%), and desire not to experience investment loss (47%).

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