
Demographics and interest rate policy favor annuities: LIMRA

By Editorial Staff *Thu, Jun 23, 2022*

The US population aged 65 or over is expected to grow by more than 8.5 million by 2026, LIMRA said. Individual annuity sales cluster around age 65.

Heartened by first quarter 2022 US annuity sales, which rose 4% to \$63.3 billion, LIMRA said this week that it expects the current momentum to continue for several years. LIMRA is the life insurance industry's marketing and research arm.

"The outlook for rising interest rates and fairly level equity markets will have investors continuing to look for the balance between protection, growth, and guaranteed income, creating a strong potential for individual annuity sales to break the all-time record levels of sales experienced in 2008," said Todd Giesing, assistant vice president, LIMRA Annuity Research, in a new release.

Rising interest rates will allow manufacturers the ability to add more value to their solutions, leading to higher sales, according to Giesing. "We see steady growth in both fixed and deferred annuity sales with the potential for seeing over \$300 billion in sales in just two short years," he said.

A growing market

The US population aged 65 or over is expected to grow by more than 8.5 million by 2026, LIMRA said, citing data from Oxford Economics. LIMRA data show individual annuity product sales clustering around the traditional retirement age of 65. In addition, the COVID pandemic accelerated the decision to retire.

"We saw a massive amount of unemployment in the US due to COVID-19 events, resulting in a portion of Americans near retirement altering their initial plans and retiring earlier than anticipated," Giesing said.

The traditional variable annuity (VA) market rebounded in 2021, with sales increasing 16% from the prior year. Sales of products without income riders (guaranteed living benefits, or GLBs) grew 28% and sales of structured variable annuities—also known as Registered Index-Linked Annuities or RILAs—rose 62% during the year.

"By 2023, traditional VA sales will flatten out as economic conditions continue to improve. There will be continued pressure not only on investment-focused traditional VAs, but also on

traditional VAs with guaranteed living benefits from carriers that have shifted their focus to registered index-linked annuities, or RILAs,” Giesing said.

He expects an increase in RILA product offerings with guaranteed living benefits.

“After the challenges faced during the height of the pandemic, the indexed annuity market rebounded with 2021 sales increasing 15%,” the release said. Similar to the traditional VA market, sales of products without guaranteed living benefits grew at a faster clip as investors were looking for the balance of principal protection and growth.”

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