
High rates drive high interest in annuities: LIMRA

By Editorial Staff *Wed, Jul 31, 2024*

'After years of ultra-low interest rates, LIMRA believes conservative investors, who were sitting on the sidelines reluctant to lock in low rates, have poured money into the market as rates rose over the past two years,' said Bryan Hodgens, head LIMRA Research. First-half 2024 annuity sales topped \$215 billion.

Total U.S. annuity sales were \$215.2 billion in the first half of 2024, up 19% from prior year results, according to preliminary results from LIMRA's U.S. Individual Annuity Sales Survey, which represents 92% of the total U.S. annuity market.

This figure signifies a new record for sales in the first six months of a year since LIMRA started tracking sales in the 1980s.

In the second quarter, total annuity sales increased 25% year over year to \$108.5 billion. This is the second highest quarterly total ever recorded, just shy of the quarterly sales record set in fourth quarter 2023. Every product line except fixed immediate annuities posted double-digit gains.

"Annuities have benefited from the favorable economic conditions and the Federal Reserve not cutting interest rates this year. We also believe demographic trends and a growing awareness of unique value proposition annuities offer have shifted the U.S. annuity market post pandemic, resulting in 15 consecutive quarters of strong sales growth." said Bryan Hodgens, senior vice president and head of LIMRA research, in a release.

Fixed Indexed Annuities (FIA)

FIA sales totaled \$29.7 billion, 17% higher than prior year and a record for a single quarter. Year-to-date (YTD), FIA sales were \$58.3 billion, up 20% year over year.

"Investor interest in products that offer downside protection with upside growth potential remains high. To put these results into perspective, just two years ago, FIA sales were \$10 billion lower than the second quarter 2024 results," noted Hodgens.

"Even with the prospect of possible rate hikes later this year, LIMRA expects FIA product sales to remain strong through 2024 and possibly eclipsing the record set in 2023."

Registered Index-Linked Annuities (RILA)

For the fifth consecutive quarter, RILAs saw record quarterly sales. In the second quarter of 2024, RILA sales were \$16.2 billion, 42% higher than prior year. In the first half of 2024,

RILA sales jumped 41% to \$30.7 billion.

“For the third consecutive quarter, RILA sales have outpaced traditional variable annuity sales. More than a half dozen carriers have launched or enhanced their RILA products in the first half of the year. LIMRA is forecasting RILA sales to surpass \$50 billion in 2024,” Hodgens said.

Fixed-Rate Deferred (FRD)

Total FRD sales were \$40 billion in the second quarter, 32% higher than second quarter 2023 sales but down 7% from first quarter 2024. YTD, FRD annuity sales totaled \$83.1 billion, up 15% year over year.

“While many may think the surge in FRD sales is from replacement contracts, our data suggests two-thirds of sales are coming from new money. After years of ultra-low interest rates, LIMRA believes conservative investors, who were sitting on the sidelines reluctant to lock in low rates, have poured money into the market as rates rose over the past two years,” said Hodgens. “While the margin has shrunk, FRD crediting rates, on average, continue to outperform CD rates, making them still the most attractive, short-term solutions for risk-adverse investors.”

Traditional Variable Annuities (VA)

In response to the S&P market growing nearly 10%, traditional VA sales rose 18% in the second quarter to \$15.6 billion. YTD, traditional VA sales were \$29.3 billion, a 12% gain year over year.

Income Annuities

Despite the Treasury’s 10-year interest rate averaging above 4.4% in the second quarter, single premium immediate annuity (SPIA) sales fell 9% year over year to \$3.1 billion in the second quarter. In the first six months of the year, SPIA sales dropped 2% to \$6.7 billion.

Deferred income annuity (DIA) sales soared 62% to \$1.7 billion in the second quarter. YTD, DIA sales jumped 53% to \$2.9 billion.

Preliminary second quarter 2024 annuity industry estimates are based on monthly reporting. A summary of the results can be found in LIMRA’s [Fact Tank](#).

The top 20 rankings of total, variable and fixed annuity writers for the first half of 2024 will be available in mid-August, following the last of the earnings calls for the participating carriers.

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