
Most annuities bought to reduce investment risk: LIMRA

By Editorial Staff Tue, Sep 3, 2024

'Most annuities are purchased as protection from investment risk, not for longevity risk,' LIMRA research chief Bryan Hodgens said. 'Most fixed index and RILA contracts are bought without a guaranteed living benefit. We have seen a slight uptick in consumers buying the GLB rider on FIAs and RILAs.'

High interest rates and a sustained bull market in equities helped drive record sales for all types of retail annuities except traditional variable contracts in both the second quarter and first half of 2024, according to LIMRA's U.S. Individual Annuity Sales Survey.

Industry wide, sales of U.S. annuities grew by 26% year-over-year to \$109.9 billion in the 2nd quarter of 2024 and by 20%, to a record \$216.6 billion, in the first half of 2024, according to the survey, which covers 92% of the U.S. annuity market. All products but fixed immediate annuities grew by double-digits, compared with the same period in 2023.

"Annuity sales have experienced 15 consecutive quarters of strong growth and LIMRA is forecasting record sales in 2024," said Bryan Hodgens, senior vice president and head of LIMRA research, in a release. "Favorable economic conditions, product innovation and the number of Americans turning 65 (PEAK65) have expanded financial professionals' interest in talking about these products to their clients."

LIMRA's survey represents 92% of the total U.S. annuity market. LIMRA has been tracking insurance product sales since the 1980s.

Ironically, the LIMRA sales data shows that in the U.S. most annuities are purchased as protection from investment risk, not for longevity risk. Relatively low-selling SPIAs and DIAs are the only products here that are designed and purchased specifically for lifetime income.

"I would agree that most annuities are purchased as protection from investment risk, not for longevity risk," Hodgens told *RIJ* in an email. "To further illustrate this, most fixed index and RILA contracts are being bought without a GLB (guaranteed living benefit). However, in recent quarters we have seen a slight uptick in consumers buying the GLB rider on FIAs and RILAs."

Annuity type	Sales, 2Q 2024	YoY Δ	Sales, 1H 2024	YoY Δ
Fixed rate deferred	\$40.7 bn	33%	\$83.7 bn	16%
Fixed indexed deferred	30.7 bn	21%	59.3 bn	23%
Registered index-linked	16.3 bn	43%	30.8 bn	41%
Traditional variable	15.4 bn	16%	29.1 bn	11%
SPIA	3.4 bn	0%	7 bn	3%
DIA	1.3 bn	21%	2.5 bn	30%
Total	\$109.9 bn	26%	\$216.6 bn	20%
Source: LIMRA US Individual Annuity Sales Survey, August 2024				

Fixed-rate deferred

Total fixed-rate deferred annuity (FRD) sales were \$40.7 billion in the second quarter, 33% higher than second quarter 2023 sales. YTD, FRD annuity sales totaled \$83.7 billion, up 16% year over year. “FRD crediting rates, on average, continue to outperform CD rates, making them an attractive, short-term solution for risk-averse investors,” noted Hodgens.

“While a potential cut in interest rates may dampen the remarkable growth experienced over the past two years, there is a significant amount in FRD contracts coming out of surrender this year and LIMRA expects a portion of those assets to be reinvested in FRD products, driving total FRD sales to another strong year.”

Fixed indexed annuities

FIA sales totaled \$30.7 billion, 21% higher than prior year and a record for a single quarter. Year-to-date (YTD), FIA sales were \$59.3 billion, up 23% year over year.

“The equity markets have experienced quite a bit of volatility, and interest rates have remained high,” Hodgens said. “Investors have been interested in a solution that offers downside protection with upside growth potential, which FIAs offer.” Even if the Fed cuts interest rates this fall, he expects 2024 FIA sales to break the record set in 2023.

Registered index-linked annuities

For the fifth consecutive quarter, registered index-linked annuities (RILAs) saw record quarterly sales. In the second quarter of 2024, RILA sales were \$16.3 billion, 43% higher than prior year. In the first half of 2024, RILA sales jumped 41% to \$30.8 billion. Independent broker dealers, career agents and bank distribution logged double-digit growth, driving the record sales. LIMRA expects RILA sales to surpass \$50 billion in 2024.

Traditional variable annuities

Strong equity markets drove the double-digit sales growth in the traditional variable annuity (VA) market. Traditional VA sales were \$15.4 billion in the second quarter, up 16% year over year. YTD, traditional VA sales were \$29.1 billion, an 11% gain year over year.

Income annuities

Single premium immediate annuity (SPIA) sales were \$3.4 billion in the second quarter, level with prior year results. In the first six months of the year, SPIA sales improved 3% to \$7 billion. SPIA sales are on track to meet or exceed the record sales set in 2023. Deferred income annuity (DIA) sales rose 21% to \$1.3 billion in the second quarter. YTD, DIA sales jumped 30% to \$2.5 billion.