Retirement Income
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News briefs

By Editorial Staff *Wed, May 1, 2024*

High interest rates lead to record-breaking 1Q2024 annuity sales; Life insurers warm to private credit, survey shows; Jackson National introduces '+Income' VA rider.

High interest rates lead to record-breaking 1Q2024 annuity sales

Total U.S. annuity sales were $113.5 billion in the first quarter of 2024, 21% above prior year results and just shy of the quarterly sales record set in the fourth quarter 2023, according to preliminary results from LIMRA's U.S. Individual Annuity Sales Survey, representing 84% of the total U.S. annuity market.

This is the highest first quarter sales results since LIMRA started tracking sales in the 1980s. "The remarkable sales trends over the past two years continued into 2024. Favorable economic conditions and rising investor interest in securing guaranteed retirement income have resulted in double-digit sales growth in every product line," said Bryan Hodgens, head of LIMRA research. "While there are potential regulatory and economic headwinds in the second half of the year, LIMRA expects annuity sales to continue to perform well."

Fixed-rate deferred annuities

Total fixed-rate deferred annuity (FRD) sales were $48 billion in the first quarter, 16% higher than first quarter 2023 sales. FRD annuities remain the primary driver of annuity sales growth, representing more than 42% of the total annuity market in the first quarter.

"Eighty-five percent of FRD sales are short duration products (less than five years). Higher interest rates combined with insurers' ability to offer, on average, better crediting rates, have propelled product sales to another level," noted Hodgens. "To put these first quarter results in perspective, from 2008 to 2021 the average annual FRD sales were just $42 billion, 14% lower than first quarter 2024 results."

Fixed indexed annuities

Fixed indexed annuity (FIA) sales had a record first quarter. FIA sales totaled $29.3 billion, up 27% from the prior year. "FIA products continue to offer very competitive crediting rates while protecting the principal investment, an attractive proposition for today's investors," said Hodgens.

Income annuities

Income annuity product sales set a quarterly record due to rising interest rates. Single premium immediate annuity (SPIA) sales were $4 billion in the first quarter, 19% higher than the prior year's results. Deferred income annuity (DIA) sales were $1.1 billion in the first quarter, increasing 35% year over year.

Registered index-linked annuities

For the fourth consecutive quarter, registered index-linked annuity (RILA) registered record quarterly sales. RILA sales increased 40% in the first quarter to $14.5 billion. "Product innovation and new market entrants suggest the RILA market still has significant growth potential. LIMRA is forecasting RILA sales to exceed $50 billion in 2024," Hodgens said.

Traditional variable annuities

Traditional variable annuity sales improved in the first quarter, up 13% year-over-year to $14.5 billion."Strong equity market performance over the past year has made traditional VAs more attractive," said Hodgens. "While these products will not command the market share they did 10 years ago, LIMRA predicts the continued equity market growth will propel traditional VA sales to grow as much as 10% in 2024 from current levels."

Preliminary first 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 first quarter 2024 will be available in mid-May, following the last of the earnings calls for the participating carriers.

Life insurers like private credit, survey shows

A third of insurers said they intend to increase their allocations to private debt in 2024, as the class now constitutes a mainstay of investment portfolios, according to a new survey out by Mercer and Oliver Wyman, A.M. Best reported.

The two units of Marsh McLennan surveyed 80 insurers globally and found almost three-fourths, 73% of them, are currently invested in private markets. Of those, 39% said they intend to increase that allocation over the year and 32% of those tallied in the wider industry said they plan to do so in 2024.

Common headwinds to increasing allocations in the class included the cost and complexity of both investment instruments and manager selection, the report found.

“With elevated interest rates and fixed income volatility, as well as considerable uncertainty around inflation, many insurers are reevaluating their investment frameworks and assessing ways to put excess cash to work,” Amit Popat, Mercer’s global head of financial institutions, said in a statement. ”

Allocations to private debt strategies are in focus for a significant proportion of insurers, as they seek access to the enhanced income, diversification, and structural protection benefits afforded by the asset class.”

The report found 43% of life insurance companies intend to expand their private allocation, while 37% of nonlife carriers have similar goals. Geographically, insurers in the United Kingdom and Canada were most likely to say increasing private placements topped their list, with 50% each, followed by 41% in the United States, 38% in Asia and 37% in Europe.

Six-in-10 cited optimizing their fixed income portfolio as an opportunity in 2024, while 51% cited diversifying portfolios away from traditional asset classes, such as domestic fixed income and domestic equities. Another 40% cited enhanced cash management as an opportunity this year.

Market volatility, cited by 61% of respondents, was the most-cited challenge to investment frameworks over the next 12 months, prompting insurers to reexamine fixed-income strategies, the survey found. Just 7% of insurers said they plan to increase cash in 2024, while 27% planned to reduce exposure.

“The market experience of the past year, which didn’t pan out exactly as many had expected, has reinforced the need for insurers to maintain a solid core while also maintaining agility to respond to and capitalize on evolving market risks and opportunities,” said Joshua Zwick, head of Oliver Wyman’s Asset Management Practice, in a statement.

Another asset management report recently found recessionary risk in the United States remains a top-of-mind concern for many insurers globally, and companies are increasingly eyeing the use of artificial intelligence, according to a Goldman Sachs Asset Management survey.

Jackson National introduces ‘+Income’ VA rider

Jackson National Life Insurance Company has added a lifetime income benefit (a guaranteed minimum withdrawal benefit or GMWB) option to the contracts in its Market Link Pro II and Market Link Pro Advisory II registered index-linked annuities. The new GMWB is called

"+Income."

The optional GMWB will be priced at 1.45% (to a maximum of 3%) of the contract value per year. Single and joint-life versions of the living benefit will be available, a Jackson release said. The payout rates start at 4% for contract owners ages 50 to 59 and go up to 6% for those ages 80 and older. Payout rates are 0.5% less for joint contracts, all else being equal.

Jackson's RILAs offer five index options, which can be used in any combination, along with up to three crediting methods. In June 2023, Jackson enhanced the RILAs by adding a new crediting method (Performance Boost), a 3-year term, and an intra-term "Performance Lock" feature.

The available "price" indexes (which exclude dividend yield) include the S&P500 Index, the Russell 2000 Index, the MSCI EAFE Index, the MSCI Emerging Markets Index, and the MSCI KLD 400 Social Index. The Jackson RILAs offer "floors" (which set limits to a client's losses during a single crediting period) and "buffers" (which absorb a client's initial losses, up to an established limit, during a single crediting period).

RILAs are classified as variable annuities, are regulated as securities, and are sold through broker-dealers. They are structured products that resemble fixed indexed annuities (which are principal-protected insurance products, not securities). RILAs tend to offer higher potential upside performance and greater potential loss than FIAs.

At Jackson's proprietary RILA Digital Ecosystem, financial professionals and clients can find information the Jackson Market Link Pro Suite. The platform provides access "to a data-driven tool that enables clients to generate customized, hypothetical scenarios of the various RILA options. To coincide with the launch of +Income, the tool now includes a new option to illustrate how lifetime income can impact client portfolios," the release said.