

## Annuities Are Hot. Sales Just Smashed Quarterly Records.

BY KENNETH CORBIN

**Annuity sales set yet another record in the first quarter as conservative investors sought stability and protection against downside risk amid volatile markets and rising interest rates.**

In the first quarter, annuity sales checked in at \$92.9 billion, up 47% from the same period in 2022 and a record for a three-month period, according to a new report from the trade group Limra.

"Market conditions continue to drive investor demand for annuities," says Todd Giesing, Limra's assistant vice president of annuity research. "Despite expectations that interest rates will level off, Limra is forecasting total annuity sales in 2023 to exceed \$300 billion for the second consecutive year."

Giesing notes that the strong growth came across all major categories of fixed annuities that Limra tracks. It was especially dramatic in fixed-rate deferred annuities, which saw sales of \$40.9 billion in the first quarter, a 157% increase from 2022.

"On average, [fixed-rate deferred] annuity crediting rates continue to outperform CD rates, making these products very attractive to conservative investors," Giesing says. "Limra anticipates FRD products to have strong sales this year even though interest rates are expected to fall in the second half of 2023."

The strong start to 2023 comes after a record-breaking year in annuity sales in 2022 that was likewise driven by investors taking shelter in fixed-rate products.

In contrast, sales of variable annuities have been slipping. Limra counted \$12.9 billion in sales of traditional variable annuities in the first quarter, down 30% from the same period in 2022. With

market volatility expected to persist, Limra is projecting flat sales growth in variable annuities for 2023.

Fixed-rate deferred annuities now account for 44% of the entire annuity market, a dramatic increase from where they stood three years ago. At the outset of the pandemic, in the first quarter of 2020, FRD sales accounted for just 18% of all annuities purchased, according to Limra.

The group is looking for that growth to level off later this year as the Fed is expected to end its campaign of interest rate hikes. Limra isn't forecasting FRD sales to top last year's mark of \$112.1 billion (which was more than double 2021 sales). It is projecting sales in the product category to top \$100 billion.

Fixed-indexed annuities, a smaller segment of the market, also set a record with first-quarter sales reaching \$23.1 billion, a 42% increase from the first quarter in 2022.