life annuity specialist

F&G Unveils First Buffered Annuity Amid Rising Industry Sales

The carrier's long-awaited RILA features two buffering levels and four index options.

By Warren S. Hersch | February 16, 2024

F&G Annuities & Life has debuted an index-linked variable annuity dubbed the F&G Confidence Builder.

The product, also known as a registered index-linked annuity or RILA, is the insurer's first offering in the segment, and is tailored to buyers wanting a balanced approach to addressing market volatility and inflation, according to a news release. Buyers can customize the annuity using different crediting periods and methods, buffers to protect principal against market dips, and four index options.

Regarding the last of these, Tom Olson, a senior VP of financial institutions distribution for F&G, touted Confidence Builder's Hindsight 20/20 index in a press statement.

Based on Bank of America MP indexes, Hindsight 20/20 features equity market exposures ranging from 40% to 75%, according to William Holligan, head of structured equity derivatives sales at BofA Securities.

The option credits gains based on the best performing of three indexes: the BofA MP Balanced Index, BofA MP Growth Index, and the BofA MP Defensive Index. The three indexes offer different combinations of large-cap U.S. equities, high-yield corporate bonds, gold and seven-to-10-year U.S. Treasuries.

Buyers can diversify investments across several other indexes, including the S&P 500 index of U.S. large cap stocks, the Russell 2000 index of U.S. small caps, and the Nasdaq 100, which comprises 100 non-financial companies on the technology-heavy Nasdaq exchange. Also available is the MSCI EAFE index, which tracks developed markets outside of North America, according to a company brochure.

In total, a buyer can choose from 27 index-linked interest strategies, and another offering a fixed interest rate, according to the brochure.

Policyholders can opt for interest-crediting periods of one, three, and six years. And three crediting methods are offered: a point-to-point cap rate with buffer, a point-to-point performance trigger rate with buffer, and annual lock cap rate with buffer.

Using the latter, for example, F&G adjusts the index change (positive, negative or zero) for the cap rate and/or buffer and fixes the value annually. At the close of the crediting period, the "locked-in" changes are compounded to determine interest credits.

For downside protection, two buffer options are available: 10% and 20%. Assuming the buyer chooses a 10% buffer and the selected linked index falls in value by 15%, the contract holder's loss would be 5%. That contrasts with no loss using a 20% buffer.

F&G had originally planned to roll out its first RILA last year but announced in its third-quarter earnings call that it was putting off the launch until this year.

A Growing Market

F&G Annuities & Life joins the buffered annuity segment amid rising sales for index-linked variable annuities. Limra estimates that volume in the fourth quarter will be $13 billion, up 29% from a year earlier. The industry group expects that sales for all of 2023 will have increased to $47.4 billion, a 15% rise from 2022.

F&G, a top-five seller of fixed-indexed annuities, raked in $4.5 billion in sales in 2022, Limra reported. In the market for fixed-rate annuities, the carrier held the 9th position with $3.7 billion in volume.

The rollout of Confidence Builder follows F&G's December release of a fourth annual survey, Risk Tolerance Tracker. It found that 85% of American investors are concerned about how inflation will affect them financially, a six percentage point rise from 2022.

Nearly eight in 10 (78%) of respondents said they were more averse to market risk last year. The level was on par with the 78% recorded in 2022, but it was nine percentage points higher than in 2021, F&G reported.