
At Lincoln Financial, VAs Are a Bright Spot in Down Year

By Editor Test *Wed, Feb 10, 2010*

Variable annuity deposits of \$2.1 billion were up 9% over 2008 and drove net flows to \$838 million, an increase of 42% year-over-year.

Lincoln Financial Group reported net income of \$102 million for the fourth quarter of 2009 but a net loss of \$485 million for the full year of 2009.

The Individual Annuities segment reported income from operations of \$120 million in the fourth quarter of 2009 versus a loss from operations of \$172 million in the year-ago period. Variable annuity product deposits of \$2.1 billion were up 9% versus last year and drove net flows to \$838 million, an increase of 42% year-over-year.

Gross annuity deposits were \$2.5 billion and net flows were \$818 million, both up versus the prior year. Gross deposits and net flows declined from the third quarter of 2009, driven by fixed and indexed annuities, reflecting the low interest rate environment. For the full year, gross deposits were \$10.4 billion versus \$11.7 billion in 2008, and net flows were \$3.9 billion compared to \$4.1 billion.

Companywide, net income in the fourth quarter of 2009 included a non-cash charge of \$109 million, after tax, for the "impairment of intangibles related to the company's media assets" and net realized losses of \$98 million, after tax, which includes the results of the variable annuity hedge program.

The fourth quarter income from operations was \$297 million and full-year income from operations was \$943 million. Income from operations in the current quarter reflected growth in average variable account values compared to a year ago and included favorable returns on alternative investments.

Lincoln's Defined Contribution segment reported income from operations of \$33 million, versus a loss from operations of \$1 million for the same period a year ago. The current quarter included a net negative impact of approximately \$3 million, after tax, primarily related to tax and expense true-ups.

Gross deposits of \$1.2 billion were down 7% versus the prior year. Total net flows were a negative \$62 million, reflecting the institutional nature of the business, which drives variability in quarterly net flows. For the full year, gross deposits were \$5.0 billion versus \$5.5 billion in 2008, and net flows were \$1.0 billion compared to \$781 million.

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