
'Changing of the Guard' Continues in VA Sales

By John McCarthy Wed, Aug 27, 2014

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New sales of variable annuities rose 6.3% in the second quarter of 2014, to \$35.1 billion vs. \$33.0 billion in the first quarter of 2014. The quarter-to-quarter bump up is no surprise, given that second quarter VA sales generally increase over first quarter, as they have for the last ten years. Compared to last year's second quarter sales of \$36.9 billion, this quarter's sales were down 4.6%. Ignoring seasonality, this quarter's sales were right at the average of the last eight quarters.

Jackson National garnered an 18.1% market share in the second quarter, down slightly from last quarter but almost double the level of each of the next three carriers individually, who are all closely bunched from 9.0% to 9.3% market share. Continuing a trend, past "big three" VA issuers MetLife and Prudential are managing sales at levels well below prior years. For example, MetLife is selling one-third of what it was two years ago. Prudential is selling half of what it did in the first two quarters of 2012. The biggest gainers during that period include Transamerica, SunAmerica, and Lincoln.

Net asset flows landed in positive territory, with a \$1.61 billion positive inflow. Net flows have remained basically flat for the last six quarters, with continued hits due to drawdowns of aged 403(b) business, outflows from companies that have exited the industry and an uptick in tactical offers where carriers trade cash payments for reductions in liability.

Assets under management increased to a record \$1.93 billion, up 2.7% compared with last quarter, and up more than 12.6% compared with second quarter 2013. Note once again that the net flow survey was discontinued at the beginning of this year (though the sales survey continues). We have moved to a calculated estimate derived from all reported assets in VA products. Using calculated estimates aligns the VA methodology with others like mutual funds and ETFs. It also ensures a consistent methodology is applied across all VA companies, products, and subaccounts.