
Four Firms Capture Half of VA Sales

By Editor Test *Wed, Nov 24, 2010*

At the same time, a dozen large insurance companies saw their VA sales drop by double-digit percentages from the second to the third quarter of 2010, according to Morningstar data.

The top four variable annuity issuers—Prudential, MetLife, Jackson National and TIAA-CREF, in that order—accounted for over half of the \$98.76 billion in new variable annuity sales in the first three quarters of 2010, according to Morningstar.

The top 10 variable annuity sellers accounted for about three quarters of all sales through September 30, and the top 20 accounted for about 95% of all sales, as the industry continues to concentrate in the wake of the financial crisis.

Third quarter sales were down just one percent from the second quarter, falling to \$33.61 billion from \$33.93 billion. Total YTD sales of \$99.8 billion was up from \$93.2 billion in the first three quarters of 2009.

But exchanges from one contract to another continue to dominate activity in the variable annuity space. Net flows (new sales, net of exchanges and payouts) were \$6.4 billion, up from \$6.2 billion in the second quarter and up 125% from net flows of just \$2.9 billion in the third quarter of 2009.

Ameriprise experienced the biggest jump in sales from the second quarter to the third, with an increase of \$904.2 million—a jump of 80%. The company's share of the market rose to 6% from only 3.3%. The only issuer with a comparable leap forward was Horace Mann, whose sales grew 75%, to \$24.9 million.

Many companies saw double-digit declines in sales, due either to the customer flight to the top sellers, to a reduction in product benefits, to their business decision to reduce their exposure to risks associated with variable annuity contracts, or to a combination of all three.

The following major VA issuers all recorded double-digit percentage declines in sales in the third quarter (listed from largest to smallest in VA sales): Sun Life Financial, -11.2, Pacific Life, -11.3, John Hancock, -19.2, ING Group, -15.5, Thrivent Financial, -13, New York Life, -18.7, Hartford, -22.6, Northwestern Mutual, -15.6, Massachusetts Mutual, -15.5, Genworth Financial, -12.6, Midland National, -27.9 and State Farm, -42.2.

Asset allocations within variable annuities are less conservative than they were in the first quarter of 2009, but much more conservative than they were at the peak of the mid-decade bull market

In the quarter just ended, 45.6% of the \$1.42 trillion in VA contracts was invested in equities, 21% in fixed income funds, 18.8% in balanced funds, 11.9% in bonds, and 2.7% in money market funds. During 2006 and 2007, the equity allocation stayed close to 60%, plus or minus a percent, while allocations to balanced funds ranged from 9% to 12%.

On a nominal basis, variable annuity AUM peaked at \$1.49 trillion in the fourth quarter of 2007. At the end of the third quarter of 2010, AUM was \$1.42 trillion.

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