
In 2013, Jackson National Broke Sales Records; VA Industry Broke Even

By Editorial Staff Wed, Apr 30, 2014

Lincoln, SunAmerica, and Aegon notched 36.9%, 39.3%, and 59.3% sales gains in 2013, respectively, according to Morningstar's quarterly Variable Annuity Sales and Assets Survey. Prudential and MetLife ended 2013 in fifth and sixth place after finishing 2012 in first and third place, respectively.

New variable annuity sales rose 1.1% in the fourth quarter of 2013, to \$35.2 billion from \$34.8 billion in the third quarter, a 1.1% increase. But year-over-year sales were off 1.5%, to \$141.2 billion from \$143.4 billion in 2012, according to the most recent Variable Annuity Sales and Asset Survey from Morningstar, Inc.

"These results are slightly better than our earlier prediction of a 2-3% drop in sales in 2013," wrote Frank O'Connor, the project manager of Morningstar's Annuity Research Center, in his quarterly VA sales and asset report.

Net cash flow was positive by only \$1.3 billion for the year, meaning that the \$141.2 billion in new sales was offset almost entirely by redemptions, surrenders and exchanges.

"Run off business from major companies that have exited the industry (notably Hartford, ING, and Sun Life) and the continued cash drain from group plans (e.g. TIAA-CREF) were responsible for net cash flow sinking into negative territory in the fourth quarter," O'Connor commented.

"While the drag resulting from the resolution of high-liability blocks of business is temporary, expect the drag from group plan rollouts to only intensify as more Baby Boomers retire and cash out their annuity-funded plans."

The VA industry may be starved for net sales growth but the issuers are presumably still making money on existing books of business. The surreal bull market in 2013 (surreal because the buying binge that buoyed the S&P500 by over 30% didn't buoy the nation's spirits much) pushed total VA assets to a record \$1.87 trillion. Every 100 basis points earned on that notional sum represents \$18.7 billion in revenue. The top 10 companies accounted for about 75% of total assets. Group annuity giant TIAA-CREF, which pioneered the variable annuity in 1952, alone had a 23.34% share.

In terms of their share of total annuity assets, 2013 saw significant advances by Jackson National, Ohio National, Protective, Minnesota Life and Jefferson National. The Hartford, Genworth Financial, Great-West and Cuna Mutual all saw double-digit declines in their market share of assets. Jackson National's share of on-the-books VA assets jumped to \$115.3 billion at the end of 2013 from \$86.76 billion at the end of 2012.

Sales ranking were shuffled from the previous year. Prudential and MetLife ended 2013 in fifth and sixth place after finishing 2012 in first and third place, respectively. Prudential's VA sales dropped almost 43%

(to \$11.4 billion) and its market share fell to 8.1% from 13.9%. MetLife's market share fell to 7.5% from 12.4% on sales of \$10.6 billion. Both companies were "grappling with 'too many eggs in one basket' and a need to rebalance their lines of business," according to O'Connor.

Jackson National was the sales leader (\$20.9 billion in new sales and 14.8% market share), followed by Lincoln Financial (\$14.3 billion and a 10.1% share), TIAA-CREF (\$13.9 billion and 9.9% share) and SunAmerica/VALIC (\$12.1 billion in sales and an 8.6% market share).

Lincoln, SunAmerica, and Aegon notched 36.9%, 39.3%, and 59.3% sales gains, respectively. Prudential and MetLife were still major players with \$11.4 billion and \$11.0 billion in sales, and 8.6% and 8.1% of the market, respectively.

Three of Jackson National's products were among the five best-selling contracts. Its Perspective II and Perspective L were familiar members of that group, but they were joined in the top five at the end of 2013 by the firm's Elite Access B share, which topped a billion in sales (\$1.02 billion) in the quarter, and gathered premia of \$3.79 billion for the year. Elite Access B is a tax-deferred accumulation vehicle replete with alternative investment options but without a living benefit. Its success has forced other top issuers to follow its lead by creating similar products (see today's article on the new Prudential Premier Investment VA).

On the distribution front, Jackson National was the top seller in the bank channel, the independent broker-dealer channel and the wirehouse channel. It was fourth in large regional broker-dealer channel sales. TIAA-CREF was the top-seller in the captive agent channel by a wide margin. Lincoln Financial was number one in regional broker-dealers. Fidelity was the leader in direct sales.

The top 10 variable annuity fund sub-advisors, as of year-end 2013, were: Wellington Management (\$40.7 billion); T. Rowe Price (\$37.8 billion); PIMCO (\$34.1 billion); Quantitative Management Associates (\$34 billion); BlackRock Investment Management (\$31.5 billion); ING Investment Management (\$29 billion); AllianceBernstein (\$28.4 billion); AEGON USA Investment Management (\$23.1 billion); Mellon Capital Management (\$22.6 billion); John Hancock (Manulife) Asset Management (\$21.1 billion).