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## **IPO Signals Strategic Shift at Jackson National**

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By Editorial Staff    *Wed, Mar 18, 2020*

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*Jackson's UK parent, Prudential plc, seeks an equity capital infusion--to fuel its diversified growth strategy and to mollify mega-shareholder Dan Loeb.*

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Seeking outside capital to fuel Jackson National Life's aggressive retirement product diversification strategy, the U.S. life insurer's British parent has decided to sell a minority position in Jackson via an initial public offering (IPO) in the U.S.

Prudential plc said in a March 11 release that it sees a "substantial opportunity for Jackson's products" in the U.S., "the world's largest retirement savings market and the continuing transition of millions of Americans into retirement."

"In order to diversify at pace, Jackson will need access to additional investment, which we believe would best be provided by third parties," Prudential plc's release said. "We are today announcing that the Board has determined that the preferred route to achieve this is a minority Initial Public Offering (IPO) of Jackson."

Prudential plc appears to have acted under shareholder pressure. The *Financial Times* reported February 24 that Dan Loeb, leader of Third Point, the \$14 billion US hedge fund that has a stake in Prudential worth nearly \$2bn, had urged the insurer's board to separate Prudential's US and Asian businesses and eliminate its UK head office. Prudential no longer has any operations in the UK, but it remains the largest insurer listed on the London market, with a value of £37bn.

Jackson National emerged as the U.S. variable annuity sales leader about seven years ago—especially since Prudential and MetLife throttled down their sales pace. More recently, Jackson, AIG and other life insurers have diversified their product offerings for greater stability.

"In 2019, Jackson diversified its annuity sales to focus on growing its fixed annuity market share, which propelled its overall growth in 2019," said Todd Giesing, senior annuity research director at the Secure Retirement Institute, in a release this week. "Jackson's fixed indexed annuity sales jumped a staggering 1,293% in 2019, while their fixed-rate deferred annuity sales climbed 169%."

According to Prudential plc:

US adjusted operating profit increased by 20% to \$3.07 billion, reflecting the impact of lower market-related amortisation of deferred acquisition costs. Higher equity markets also led to US separate account assets increasing by 19% to \$195.1 billion. Our US business continued its long-term track record of delivering cash to the Group, remitting a dividend of \$525 million during the year.

US APE (**Annual premium equivalent**) sales increased by 8%, driven by fixed income and fixed index annuities, in line with our diversification strategy. New business profit declined by 28%, reflecting lower interest rates and changes in product mix.

Prudential plc bought Michigan-based Jackson for \$610 million in 1986. The business, which has four million U.S. customers, accounts for half of the group's operating profit.

Jackson today announced its full-year financial results, generating \$3 billion in IFRS pre-tax operating income in 2019, an increase of 22% over 2018 and the highest in company history. Jackson also reported \$22.2 billion in total sales and deposits, noting significant growth in fixed and fixed index annuity sales.

The British insurer, which is not related to Newark, NJ-based Prudential Financial, acknowledged the potential impact of the pandemic and financial crisis on its industry.

"We continue to monitor closely the development of the coronavirus outbreak and are focused on the health and well-being of our customers and staff. The outbreak has slowed economic activity and dampened our sales momentum in Hong Kong and China," the firm said in a release, adding, "lower levels of new sales activity in affected markets are to be expected with a consequential effect on new business profit. Our in-force business is proving robust."

"The U.S. is the world's largest retirement market, with trillions of dollars expected to move from savings into retirement income products over the next decade," said Michael Falcon, CEO of Jackson Holdings LLC. "Jackson's ambition is to play the fullest role possible in this through a strategy of diversifying its product range and distribution network. Over time, this is expected to lead to a more balanced mix of policyholder liabilities and enhance statutory capital and cash generation."

Strong equity markets drove the company's 2019 results, Falcon said. Variable annuity separate account assets, which generate asset-based fees, totaled a record \$195.1 billion in 2019.

“As Jackson works to achieve commercial diversification, we are continuing our efforts to balance our business,” said Falcon. “By offering the right mix of products through the right distribution channels, we have strengthened our leadership position in the U.S. retirement market. Our deliberate approach has enabled us to deepen our presence in the advisory space and capture new opportunities as we move into the next phase of our growth.”

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