Jackson National dominates annuity flows in first half of 2013

By Kerry Pechter *Thu, Sep 26, 2013*

Three Jackson variable annuity contracts—Perspective II 05/05, Perspective II L-Series and Elite Access—were among the five best-selling annuity products in the first six months of this year.

Jackson National Life, a U.S. subsidiary of Britain's Prudential plc, was the healthiest U.S. annuity issuer in terms of net cash flow in the first half of 2013, according to the Analytic Reporting for Annuities, a service of Insurance & Retirement Services of the National Securities Clearing Corp., a subsidiary of DTCC.

Jackson National was ranked first in inflows and first in net flows, with $8.4 billion (18.9% market share) and $6.1 billion, respectively. Three Jackson variable annuity products—Perspective II 05/05, Perspective II L-Series and Elite Access—were all among the five best-selling annuity products.

The first-half report showed that there was about $85 billion worth of annuity transactions processed by 112 insurance companies, involving 128 distributors and encompassing 3,236 different annuity products.

The statistics do not include captive agent sales. One of the most popular annuity products in the first half, deferred income annuities, are manufactured mainly by mutual insurers and sold mainly by captive agents.

Overall, the annuity industry saw first half net cash flows down by 46% compared with the first half of 2012 and 20% lower than net flows posted in the second half of 2012.

Inflows into annuity products processed in the first half of 2013 totaled almost $45 billion, increasing by nearly 4%, or $1.7 billion, compared to the first half of 2012. Outflows totaled almost $41 billion, up over 13% from the first half of 2012.

Of the annuity inflows, it's not clear how much is new money coming from the public and how much is transfers from other annuity issuers. Similarly, it's not clear how much of the outflow leaves the annuity industry through withdrawals or surrenders and how much is exchanged into other annuities. companies.

Outflows totaled almost $41 billion, increasing by over 13%, or $4.8 billion, compared to the first half of 2012. The resulting net cash flows totaled $3.6 billion, declining by over 46% compared to the first half of 2012. Compared to the second half of 2012, inflows in 2013 increased by 6%, out flows increased by 9% and net flows declined by just under 20%.

Ten insurance companies/holding companies accounted for $15 billion in net flows and 17 more companies shared an additional $2 billion in net flows. Sixteen companies experienced a total of $13 billion in negative net flows, with one unidentified company accounting for a $5 billion net outflow. MetLife and AXA SA were on the top-ten list for inflows but not on the top-ten list for net flows.

Of the 3,236 fixed and variable annuities tracked, net flows were concentrated within a relative handful of products. Five variable annuities had more than $1 billion in net flows, the top 10 variable annuities totaled

$13 billion in net flows. An additional 64 products had net flows more than $100 million. They were among 610 products that showed positive net flows of almost $35 billion. The remaining 2,624 products showed negative net flows of about $31 million.

Distribution remains concentrated in the top 10 companies, who accounted for 68% of all sales of annuities in the U.S. in the first half of 2013, or an average of $5.7 billion each. The top 20 distributors, none of whom were named, accounted for 82% of sales, or an average of about $3.5 billion. That left 108 distributors sharing 18% of $85 billion, or about $141 million in gross sales each.

Ten states, led by California with 8%, accounted for about 45% of all U.S. annuity sales in the first half of this year. The other nine were Florida, New York, Texas, Pennsylvania, Ohio, New Jersey, Michigan, Illinois and Massachusetts.