

## Jackson National Has a Growing Share of a Shrinking VA Market

By Editorial Staff    Wed, Dec 9, 2015

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Variable annuity sales fell by almost 10% in the third quarter of 2015 from the prior quarter, to \$31.2 billion from \$34.7 billion, as all of the top ten carriers experienced a drop in sales, according to Morningstar's quarterly VA sales analysis. Industry net sales dropped 10% in the third quarter of 2015 versus the third quarter of 2014.

The VA industry overall (excluding Lincoln) experienced a net outflow of \$7.124 billion in 3Q2015, as TIAA-CREF, Hartford, Genworth and others experienced significant outflows.

Jackson National led all other issuers in the third quarter of 2015 with \$6.01 billion in sales, down from \$6.5 billion in the previous quarter. A unit of British insurance giant Prudential plc, Jackson issued three of the four best-selling individual contracts: Perspective II (7-year), the Elite Access B and the Perspective L-share. The Perspective contracts offer living benefits while the Elite Access B is an investment-only VA that offers investors broad access to liquid alternative investments. Jackson had a 19.2% market share, or more than double its closest competitor's.

**Variable Annuity Sales Leaders (\$millions)**

Insurer	New sales 3Q2015	New sales 2Q2015	New sales YTD 9-30-2015
<b>Jackson National</b>	\$6,007.2	\$6,524.0	\$17,771.1
<b>TIAA-CREF</b>	3,063.8	3,126.0	9,410.9
<b>AIG</b>	2,884.2	3,030.7	8,737.7
<b>Lincoln Financial</b>	2,832.7	3,138.9	8,778.5
<b>AXA</b>	2,296.7	2,447.1	6,908.0
<b>Prudential Financial</b>	2,111.8	2,322.8	6,645.3
<b>AEGON/ Transamerica</b>	1,792.2	2,102.6	6,213.7
<b>MetLife</b>	1,769.0	1,861.8	5,234.6
<b>Nationwide</b>	1,264.9	1,453.7	4,025.9
<b>Ameriprise Financial</b>	1,264.9	1,200.9	3,370.4
Source: Morningstar, Inc.			

Looking at sales channels, Jackson National was by large margins the top VA seller in the bank/credit union channel, the independent broker-dealer channel and the wirehouse channel, while TIAA-CREF dominated the captive-agency channel. About two-thirds of VA sales go through either the independent b/d channel or the captive channel.

TIAA-CREF rose to second place (from fourth in 3Q2014) with \$3.1 billion and 9.8% share, leapfrogging AIG and Lincoln. AIG booked a strong \$2.9 billion and 9.2% share for third place, just ahead of Lincoln's \$2.8 billion and 9.1% fourth place result. AXA jumped from seventh position (in 3Q2014) to fifth with \$2.3 billion and a 7.4% share. (Lincoln National reported net sales for 3Q2015 but not assets under management or net flows.)

Historically, third-quarter sales have been soft for variable annuities. Declines from the second quarter have occurred in each of the last ten years and declines from the previous third quarter have occurred in each of the last four years. Among the top ten issuers, only Jackson National and MetLife experienced year-over-year sales gains. TIAA-CREF and AXA sales were flat while the remaining six experienced drops in net sales. The top ten sellers accounted for almost 81% of total VA sales in 3Q2015.

Several contracts made notable leaps in sales. Ameriprise Financial's RVS RAVAS Advantage (10-year) contract rose to fourth place from eighth, Prudential Defined Income jumped to position 13 from 18, AXA's Structured Capital Strategies-B to 16 from 42, MetLife's Preference Premier-B to 17 from 34, ING Multiple-Sponsored to 18 from 25, AXA's EQUI-VEST 201 to 30 from 45, Guardian Investor III-B to 32 from 58 and MassMutual's Transition Select (7-year) to 40 from 55.

In terms of total variable annuity AUM, several companies in the top 15 have registered significant gains in market share, year-over-year. Market share for Jackson National has grown by 18.27%, Thrivent Financial by 17.99%, AEGON/Transamerica by 15.36%, AIG by 14.14%, and Fidelity Investments Life (FILI) by 13.06%. Year-over-year AUM fell 3.4% industry-wide; the S&P 500's total return for the rolling twelve months ended September 30, 2015 was 0.61%.

While issuance of VA contracts is concentrated among a relative handful of insurance companies, management of the \$1.68 trillion in variable annuity assets is widely dispersed among many asset managers, none of which has more than 2.2% (\$37 billion) of the market, as of the end of 3Q2015.

The ten leading VA fund sub-advisors are T. Rowe Price, Quantitative Management

Associates (Prudential Financial), Wellington Management, AllianceBernstein, PIMCO, Voya, Mellon Capital, Standard & Poor's, BlackRock and Milliman Financial Risk Management.

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