

Jackson National Life to go independent

By Editorial Staff Thu, Aug 13, 2020

Jackson National experienced a loss of more than \$2 billion on its interest rate hedges this year, partly due to the drop in rates and equity prices last March.



Jackson National Life Insurance Co., the dominant retailer of variable annuities in the U.S., will completely separate from Prudential plc, its Asia-based parent starting next year, the Lansing, Michigan-based insurer announced this week.

“The U.S. listing is planned for the first half of 2021, and Jackson does not currently expect to remit any regular dividends to Prudential plc in 2020 or 2021 prior to an IPO,” the Jackson release said. Last March, Jackson announced that it would separate partly from Prudential plc. This week’s announcement revealed that a complete separation is commencing.

On June 18, 2020, Jackson announced an agreement with Athene Holding Ltd. (Athene) (NYSE: ATH) to fully reinsure \$27.6 billion of the company’s in-force book of fixed and fixed index annuity liabilities.

Athene agreed to pay Jackson \$1.2 billion in ceding commission from Athene (effective June 1, 2020) and to pay \$500 million for an 11% equity stake in Jackson. Jackson CEO Michael Falcon said the recent Athene agreement strengthens Jackson’s capital position.

For the first half of 2020, Jackson reported \$1.3 billion in IFRS (International Financial Reporting Standards) pre-tax operating income during the first half of 2020. Jackson also reported \$9.8 billion in sales and deposits.

IFRS pre-tax operating income is based on longer-term investment returns. It excludes short-term fluctuations in investment returns, hedge results and change in value of derivatives.

Overall, the company reported an IFRS net loss of \$8.5 million and a GAAP (Generally Accepted Accounting Principles) loss of \$18.9 million for the first half of 2020.

Jackson's net loss was impacted by hedging losses (\$2.265 billion, net of amortization of deferred acquisition costs) incurred due to movements in interest rates and equity markets, which were not fully offset by the release of accounting reserves.

IFRS accounting for variable annuity liabilities is not necessarily consistent with the economic value of these liabilities. Jackson continues to manage its hedge program on an economic basis and is willing to accept the accounting volatility that results.

Jackson has \$294.6 billion in total IFRS assets and \$265.4 billion in IFRS policy liabilities set aside to pay primarily future policyowner benefits (as of June 30, 2020).

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