
Lonelier at the Top

By Editor Test *Wed, Jul 6, 2011*

Prudential, MetLife and Jackson National, which have dominated sales since the VA industry's post-crisis shake-out, all added to their market share in the first quarter of 2011, according to Morningstar's quarterly VA report.

Even though many in the VA industry wish it weren't so, sales of individual contracts became even more concentrated among the three biggest sellers during the year that ended March 31, 2011, according to Morningstar's quarterly VA [report](#).

Prudential, MetLife and Jackson National, which have dominated sales since the post-financial crisis industry shake-out, added 2.12%, 1.83% and 1.79% of market share, respectively. Together they accounted for more than 44% of sales. The top five firms took almost 60% of total sales.

Executives at competing VA issuers wish the wealth were spread more evenly. But even some executives at the sales leaders worry about accumulating too much risk in too short a time. In fact, all three have taken steps in the past year to "de-risk" their contracts.

Overall, the VA industry posted new sales of \$38.7 billion in the first quarter, up 23.2% from the \$31.4 billion sold in first quarter 2010. First quarter sales were also 4.3% higher than fourth quarter 2010 sales of \$37.1 billion. Net cash flow—the best measure of industry growth—also rose in the first quarter, to \$5.8 billion from \$5.4 billion in the fourth quarter and \$3.6 billion in the first quarter of 2010, up 8.4% and 63.9% respectively.

Assets under management set an all-time record of \$1.56 trillion, up 3.6% from the year-end 2010 assets of \$1.50 trillion. TIAA-CREF's group annuity, which is the plan for university and college employees, accounts for almost a quarter of all VA assets, with \$383 billion. It is followed by MetLife (\$132.4 billion), Prudential (\$109.1 billion), AXA Equitable (\$91.5 billion) and Lincoln Financial (\$85.2 billion). Jackson National is the fastest growing VA seller, but still has assets of just \$59.95 billion.

The distribution channel sales leaders continued to be Prudential and MetLife, with Prudential taking the number one spot in the bank, independent planner, and wirehouse channels, MetLife leading in regional firms and Ameriprise ranking first in the captive agency channel (excluding TIAA-CREF).

Rounding out the top 5 in each channel were Jackson National, MetLife, Nationwide, and Pacific Life in the banks; Jackson National, MetLife, Lincoln National and Allianz in the independent shops; MetLife, Nationwide, Lincoln National and Sun Life in the wirehouses; Jackson National, Lincoln Financial, Protective and Prudential in the regional firms; and finally MetLife, AXA, SunAmerica, and Prudential in the captive agency channel.

The April sales estimate of \$13.9 billion, which was 13.8% higher than April 2010 estimated sales of \$12.2 billion, shows a positive start to the second quarter of 2011. If momentum builds from product and benefit launches and the May sales are strong we could see second quarter sales exceed the \$40 billion mark for

the first time since the second quarter of 2008.

About 80% of variable annuity contracts sold are either B-shares (54%), where the carrier recoups the up-front commission that it pays advisor from the client through the mortality and expense risk (M&E) charge over time, or L-shares, where the carrier pays a combination of up-front and trail commissions. In other words, relatively few VA contracts are sold without a strong financial incentive for the advisor. Variable annuities are still a product that's sold, not bought.

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