MetLife Dominates 3Q VA Sales

By Editor Test *Wed, Nov 30, 2011*

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A sales surge by MetLife—whose market share jumped 4.5 points, to over 22%—helped the variable annuity industry to a strong third quarter amid turbulent market conditions. Overall, the industry is on pace to break $150 billion in sales for the first time since 2006, according to Morningstar's quarterly VA report.

MetLife's $8.56 billion in sales in the third quarter and its sales of $6.96 billion in the second quarter were the highest and second highest quarterly VA sales ever. The burst in sales of MetLife's VA began after the company increased the maximum deferral bonus of its Guaranteed Minimum Income Benefit (GMIB) early in 2011. Since then, MetLife has reduced the bonus, so demand for its contract is expected to cool down.

A jump in net cash flow for the industry as a whole was the other big news of the quarter. "A very bright spot in the third quarter data was the significant increase in net cash flow, to $8.9 billion from $5.7 billion in the second quarter and $6.4 billion in the third quarter of 2010, increases of 54.3% and 38.4% respectively," wrote Frank O'Connor, product manager of the VA database at Morningstar. "In fact, net cash flow of $8.9 billion is the highest reported since the fourth quarter of 2007."

Top Ten Sellers of Variable Annuities, 3Q 2011 ($mm)				
Issuer	3Q 2011	2Q 2011	3Q 2010	Mkt. Share
MetLife	8,560.0	6,966.9	4,660.9	22.22%
Prudential Financial	4,475.4	4,534.3	5,372.6	11.62
Jackson National	4,212.0	4,973.5	3,657.7	10.93
TIAA-CREF	3,268.1	3,460.5	3,458.2	8.48
Lincoln Financial	2,295.1	2,511.1	2,202.1	5.96
Sun America/ VALIC	2,208.0	1,912.7	1,585.9	5.73
Nationwide	1,717.4	1,886.5	1,310.1	4.46
AXA-Equitable	1,636.1	1,846.1	1,551.4	4.25
Ameriprise	1,551.7	1,687.4	2,024.5	4.03
AEGON/Transamerica	1,324.1	1,388.6	942.6	3.44
Source: Morningstar Inc., November 30, 2011.				

The VA industry still depends on transfers of existing contracts for the most of its sales. The drop in 1035 transfers should be no surprise. Despite the post-crisis equity market recovery, many contract owners still have valuable "in the money" guarantees that they would forfeit by executing an exchange.

At the same time, in a historical reversal, the newest VA contracts tend to be less generous than older contracts, which means owners have less incentive to seek a change and advisors have less justification for recommending one.

VA buyers continued to favor contracts with living benefits. “Robust sales and rising net cash flow reflect a surge of new money into variable annuity products offering lifetime income benefits enhanced with guaranteed growth features such as MetLife’s GMIB Max II, Prudential’s HD Lifetime Income, Jackson National’s Lifeguard Freedom 6, Lincoln National’s Lifetime Income Advantage and i4Life, and Nationwide’s Lifetime Income Options,” O’Connor wrote.

“The income benefits offered by these five companies, whose combined sales account for 64.8% of all retail variable annuity sales, include features geared not only toward securing income but to increasing income over time on a guaranteed basis through withdrawal deferral bonuses and/or fixed percentage increases.”

The third-quarter stock market correction has taken a big toll on variable annuity assets. VA industry assets under management (AUM) fell by over $145 billion, or almost 10%, to $1.422 trillion from $1.567 trillion. MetLife alone has $128 billion, or 9% of those assets.

Of the top 10 VA sellers, the only major company beside MetLife to report a sales increase in the third quarter was SunAmerica/VALIC, which sold $2.2 billion, up from $1.9 billion in the prior quarter, to finish in sixth place overall. The company’s market share rose one percentage point, to 5.73%.

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