MetLife Posts Strong Annuity Growth in 2Q 2009

By Editor Test *Wed, Aug 5, 2009*

MetLife's annuity net flows remained positive for the fifth consecutive quarter while lapse rates declined for the second quarter in a row.

MetLife reported second quarter 2009 operating earnings of $723 million and saw its U.S. annuity deposits increase 43% over second quarter 2008, to $5.5 billion. But the insurer lost $1.4 billion in the quarter, largely because of derivative losses.

“We had very strong deposits and positive net flows in our U.S. annuity business. Institutional’s top line grew 8% over the second quarter of 2008; and our International business continued to perform well.” said C. Robert Henrikson, chairman, president & chief executive officer of MetLife, Inc.

Total annuity deposits reached $5.5 billion as variable annuity deposits increased 27% to $4.5 billion and fixed annuity deposits grew from $277 million to $949 million. Annuity net flows remained positive for the fifth consecutive quarter while lapse rates declined for the second consecutive quarter.

In Japan, total annuity deposits were 137.8 billion yen ($1.3 billion), compared with 149.6 billion yen ($1.4 billion). A 45% increase in fixed annuity deposits was more than offset by a decline in variable annuity deposits, reflecting current market conditions.

Net investment income was $3.9 billion, up from $3.3 billion in the first quarter of 2009 but down from $4.3 billion in the second quarter of 2008. During the second quarter of 2009, variable investment income was lower than plan by $150 million, or $102 million ($0.12 per share) after income tax and the impact of deferred acquisition costs. The lower variable investment income was driven by negative returns from real estate funds as well as corporate joint ventures.

For the second quarter of 2009, the company had net realized investment losses, after income tax, of $2.6 billion, mostly driven by derivative losses of $1.8 billion, after income tax. The remainder were primarily due to credit-related losses and impairments across a broad range of asset classes, and were consistent with the company’s expectations.