
Prudential Net Income Turns Positive in 2Q 2009

By Editor Test Wed, Aug 12, 2009

The firm's individual annuity sales boomed in the second quarter, thanks in part to a wave of exchanges of variable annuity contracts from financially weaker insurers.

Buoyed by the steady market recovery since the end of March, the Financial Services Businesses of Prudential Financial Inc. reported net income of \$538 million for the second quarter of 2009, compared to \$566 million for the year-ago quarter.

The income nearly offset a first quarter loss, bringing the company's first-half net income to \$533 million.

Individual annuity sales boomed in the second quarter, as Prudential saw a wave of exchanges of variable annuity contracts from insurers perceived as less financial strong, as well as a drop in surrenders and withdrawals from VA contracts with "in the money" lifetime income guarantees.

Gross annuity sales reached a record \$3.4 billion in the quarter, up from \$2.8 billion last year. Net sales were \$2.06 billion, up from \$518 million a year ago.

"Our current quarter results reflect improvements in financial markets, together with our strengthening competitive position. Sales and net flows were solid across the board in the second quarter and first half. Variable annuity sales and flows, and individual life sales, were especially strong this quarter," said chairman and CEO John Strangfeld.

Annuity-related fee income was not as robust as a year ago, however, thanks to lower account values. The individual annuities segment reported a year-over-year increase in adjusted operating income (to \$432 million, from \$154 million) if certain benefits related to rising customer account values in the second quarter are considered. But there was a year-over-year income decline of \$79 million if those benefits are excluded, according to company figures.

Prudential's full-service retirement business experienced gross deposits and sales of \$3.9 billion and net additions of \$87 million, compared to gross deposits and sales of \$4.5 billion and net additions of \$164 million a year ago.

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