
Sun Sets on Sun Life's U.S. Annuity Business

By Editor Test *Wed, Dec 14, 2011*

New CEO Dean Connor decided to cut Sun Life's losses in the U.S. annuity business after a third quarter that negatively impacted many U.S. annuity issuers. The Canadian firm will focus on its employee benefit and MFS Investment Management businesses in the U.S.

A month after announcing a new "Vision" variable annuity with low costs and a tepid lifetime income guarantee, and two weeks after promoting COO Dean Connor to CEO, Sun Life Financial announced Monday that it was getting out of the annuity business in the U.S.

"As a result of [a] strategic review," the company said in a release, it "will close its domestic U.S. variable annuity and individual life products to new sales effective December 30, 2011.

"The decision to discontinue sales in these two lines of business is based on unfavorable product economics which, due to ongoing shifts in capital markets and regulatory requirements, no longer enhance shareholder value."

In the third quarter of 2011, Sun Life accepted \$681 million in new variable annuity premium, mainly for its Master Choice II and Masters Flex II contracts. Its 2011 year-to-date sales were \$2.33 billion. It had 1.77% of the U.S. variable annuity market and was in 13th place in sales for the current year. With \$19.2 billion in variable annuity assets under management in the U.S., it ranked 16th overall with a 1.35% market share, as of September 30, 2011.

In a statement, Connor said, "To achieve growth in the U.S., we will focus on increasing sales in our employee benefits business, which is already a top ten player, and will expand our presence in the growing voluntary benefits segment.

"We are confident that with the focused investment announced earlier this year we can build leading positions in these two sustainable, less capital-intensive businesses. We will also continue to support growth in MFS, our highly successful investment manager that has a large U.S. presence and over US\$250 billion of assets under management globally."

Along with other insurers operating in the U.S., Sun Life Financial was hurt in the third quarter of this year by stock market declines and low interest rate policies, which reduce the value of the assets backing its variable annuity guarantees and raise the cost of hedging those guarantees, respectively. The company reported a \$572 million loss in the third quarter, according to *National Underwriter*.

Sun Life, as a Canadian company, was subject to Canadian accounting rules, which brought additional pressure on it. The same was true for John Hancock, a unit of Canada's Manulife. John Hancock reduced distribution of its variable annuities in the U.S. after the third quarter.

Connor said Sun Life would focus its future growth into four "pillars":

- Continuing to build on its leadership position in Canada in insurance, wealth management and employee benefits;
- Becoming a leader in group insurance and voluntary benefits in the U.S.;
- Supporting continued growth in MFS Investment Management, and broadening Sun Life's other asset management businesses around the world; and
- Strengthening Sun Life's competitive position in Asia.

Starting in August 2009, Sun Life began a big push to raise its profile in the U.S. It hired The Martin Agency of Richmond, Va., to strengthen its brand. Martin's other clients included Genworth Financial, NASCAR, BF Goodrich, The JFK Presidential Library, WalMart, Geico and UPS. For Geico, it created the Cockney Gekko, the resentful Cavemen, and the Real People ads that paired ordinary policyholders with Little Richard, Joan Rivers, Peter Frampton, Charo and other celebrities.

Playing off its name, Sun Life also announced a partnership with Cirque du Soleil, the organization whose musical trapeze extravaganzas have become staple entertainment in Las Vegas and DisneyWorld. Sun Life is the Official Insurance Partner of Cirque du Soleil U.S. Big Top Touring Shows, U.S. Arena Touring Shows, and the Presenting Partner of a major new Cirque du Soleil U.S. show to be announced next month. Sun Life also bought the naming rights to the Miami Dolphins football stadium in Miami.

Stephen L. Deschenes, who has been a senior vice president and general manager of Sun Life's annuity business since June 2009, could not be reached for comment. Before joining Sun Life, he served as senior vice president and chief marketing officer for the Retirement Income Group at MassMutual Financial Group.

Before joining MassMutual, Deschenes served as executive vice president for Fidelity Investments. A founder of the online financial advice site mPower (now part of Morningstar), Deschenes graduated magna cum laude from Harvard University.

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