The Bucket

By Kerry Pechter *Wed, Feb 12, 2014*

Brief or late-breaking items from ING U.S. (Voya), MassMutual Retirement Services, Securian, New York Life and MetLife.

ING U.S. announces fourth quarter and full year 2013 results

ING U.S., Inc., which will rebrand as Voya Financial, Inc. in 2014, reported fourth quarter 2013 after-tax operating earningsof $198 million, up from $136 million in 4Q'12, and net income available to common shareholders of $548 million, up from a loss of $23 million in 4Q'12.

Full year 2013 after-tax operating earnings were $825 million, compared with $597 million in 2012. Net income available to common shareholders was $601 million, compared with $473 million in 2012.

Fourth quarter 2013 net income available to common shareholders included:

- Actuarial gains on pension and postretirement benefits, after-tax, of $263 million primarily due to rising interest rates and strong performance of assets in the pension plan.

The Closed Block Variable Annuity (CBVA) segment's after-tax loss of $147 million, which was driven by an after-tax loss of $177 million related to nonperformance risk. The CBVA segment includes the effect of its hedge program, which focuses on protecting regulatory and rating agency capital from market movements, rather than minimizing GAAP earnings volatility.

Annuities adjusted operating earnings were $56 million, compared with $51 million. The following items primarily accounted for this increase:

- Lower DAC/VOBA and other intangibles amortization ($5 million positive variance) due to a decrease in the amortization rate;
- Higher fee based margin ($3 million positive variance) on increased levels of mutual fund custodial assets; and
- Higher trail commissions ($2 million negative variance) due to increased mutual fund sales and AUM.

Net outflows were $172 million, as lapses on fixed rate annuity policies, especially older products with higher fixed rate crediting levels such as Multi-Year Guarantee Annuities, exceeded new sales.

Retirement business

Retirement adjusted operating earnings were $134 million, compared with $117 million. The following items primarily accounted for this increase:

- Higher fee based margin ($17 million positive variance) on higher variable assets partially offset by

reduced recordkeeping revenue;
- Higher investment spread and other investment income ($12 million positive variance) stemming largely from higher limited partnership income and prepayment fee income, as well as reduced crediting rates;
- Higher administrative expenses ($11 million negative variance) partially due to volume-related expenses and ongoing investment in systems infrastructure;
- An increase in other revenue ($8 million positive variance) related to changes in market value adjustments related to surrendered retirement plans;
- Higher DAC/VOBA and other intangibles amortization ($5 million negative variance) as a result of higher gross profits, partially offset by a reduced amortization rate; and
- Higher trail commissions ($4 million negative variance) due to higher AUM.

Retirement net flows were $363 million, compared with $1.8 billion in the fourth quarter of 2012 and $234 million in the third quarter of 2013. (Net flows vary in size and timing, sometimes substantially, from one quarter to the next.) Retirement AUM totaled $105 billion as of December 31, 2013, up from $90 billion as of December 31, 2012 and up from $100 billion as of September 30, 2013.

Annuities segment

AUM for the Annuities segment totaled $27 billion as of December 31, 2013, up slightly from $26 billion as of September 30, 2013 and $26 billion as of December 31, 2012. Included in AUM is the company's mutual fund custodial product (Select Advantage), which increased to $3.4 billion as of December 31, 2013, up from $3.1 billion as of September 30, 2013 and $2.4 billion as of December 31, 2012.

Closed block variable annuity

Closed Block Variable Annuity had a net loss before income taxes of $226 million, including a loss before income taxes of $272 million due to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk, which the company considers a non-economic factor.

This compares with a fourth quarter 2012 net loss before income taxes of $167 million, which included a loss before income taxes of $401 million related to nonperformance risk.

ING U.S.'s CBVA hedge program is designed primarily to protect regulatory and rating agency capital from equity market movements, rather than minimize GAAP earnings volatility. During the quarter, the hedge program resulted in a net gain to regulatory surplus as a result of the difference between the decline in reserves and the decline in hedge assets related to equity market movements. GAAP earnings were favorably impacted by lower volatility, which offset market appreciation related net hedge program losses.

The retained net amount at risk for CBVA living benefit guarantees improved to $2.2 billion as of December 31, 2013 from $3.0 billion as of September 30, 2013, primarily due to favorable equity and interest market movements.

MassMutual announces new seminar series for plan participants

MassMutual's Retirement Services Division announced that its RetireSmart interactive participant education series will have a new "lineup" in 2014, its fifth year. The series will include six seminars, each led by an industry expert.

The series opens Feb. 26 with returning guest speaker Dr. Jerry Webman, Ph.D, CFA and Chief Economist for OppenheimerFunds Inc. He will review 2013's market performance, discuss factors driving the global economy and identify key economic indicators to watch for retirement investors.

The RetireSmart seminar series will continue bi-monthly throughout 2014 as follows:

- April 9: *Retirement Planning for the Ages*. Presented by Farnoosh Torabi, independent Generation Y money coach, best-selling author and personal finance journalist.
- June 11: *Strategies for Pre-Retirees*. Presented by Black Rock Investments.
- Aug. 6: *The Art of Negotiating a Deal*. Presented by Farnoosh Torabi.
- Oct. (exact date to be announced on www.retiresmartseminars.com): *Calculating your Social Security Retirement Benefit*. Presented by a representative from the U.S Social Security Administration.
- Dec. 3: *Maximizing your Workplace Benefits*. Presented by Farnoosh Torabi.

Securian individual variable annuity sales up 57% over 2012

According to a release this week from Securian:

"In 2013, many variable annuity providers adjusted their product portfolios to reduce risk.

"Some even exited the market as low interest rates continued to pose significant risk exposure for lifetime withdrawal benefit guarantees which are included in some variable annuity products.

"Meantime, Securian Financial Group's diligent risk management positioned the company's retirement unit to step up with new annuity products as demand rose and competitors stepped back. Additionally, Securian responded to distributors' requests for less complex annuities that meet the financial needs of many clients.

"The result? A 57% surge in individual variable annuity sales, to $900 million.

"'Our goal has never been to dominate the individual annuity market,' said Dan Kruse, second vice president, Individual Annuity Actuary, Securian Financial Group. 'Our goal is to create products that meet the needs of our strategic distribution partners and their clients without exceeding Securian's risk appetite.'

"Bolstering sales growth is a high customer retention rate of 93% among Securian's individual annuity owners. Customer satisfaction was 98%. Assets under management rose from $6 billion in 2012 to $7 billion in 2013."

New York Life reports record sales growth in 4Q 2013

New York Life has announced "very strong" fourth quarter gains in sales of life insurance, annuities and mutual funds. According to a release, sales of recurring premium life insurance through agents were up 5% and total annuity sales were up 14% over 2012, both representing a new record for 12-month growth rates in those products.

The fourth quarter growth of recurring premium life insurance products came from the company's whole life, universal life and variable universal life products. Of the company's new life insurance sales, 46% was produced by agents serving the African-American, Chinese, Hispanic, Korean, South Asian, and Vietnamese markets in the U.S.

Agents sold $5.4 billion of annuities of all types in 2013, a 14% increase from 2012. Sales of single premium immediate annuities and the company's deferred income annuity, Guaranteed Future Income Annuity, increased 6% through the fourth quarter compared with the same period in 2012.

Sales of New York Life's MainStay family of mutual funds through agents rose 16% over the prior year, to $938 million.

In 2013, New York Life hired 3,460 full-time agents. It seeks to hire 3,600 financial professionals in 2014, with more than half to be women or individuals who represent the cultural markets. New York Life's operations in Mexico, Seguros Monterrey New York Life, saw 14% sales growth compared with 2012.

MetLife hits 2013 target of $10 – $11 billion in VA sales

MetLife reported operating earnings of $1.6 billion for the fourth quarter of 2013, up 14% over the fourth quarter of 2012. On a per share basis, operating earnings were $1.37, up 10% over the prior year quarter. Operating earnings in the Americas grew 13%. Operating earnings in Asia increased 64% on a reported basis and 74% on a constant currency basis. Operating earnings in Europe, the Middle East and Africa (EMEA) increased 51% on a reported basis and 48% on a constant currency basis. Partially offsetting these gains were larger losses in Corporate & Other.

Fourth quarter 2013 operating earnings included the following items:

- Variable investment income above the company's 2013 quarterly plan range by $101 million, or $0.09 per share, after tax and the impact of deferred acquisition costs (DAC).

- As previously announced, strengthening of asbestos claim reserves, which reduced operating earnings by $101 million or $0.09 per share, after tax
- An increase in litigation-related reserves, which reduced operating earnings by $46 million or $0.04 per share, after tax.
- Favorable catastrophe experience and prior year loss reserve development of $15 million and an $11 million benefit from tax-related items in EMEA, which increased operating earnings by $26 million or $0.02 per share, after tax.

MetLife reported fourth quarter 2013 net income of $877 million, or $0.77 per share, including $242 million, after tax, in net derivative losses. Increases in interest rates, changes in foreign currencies and the impact of MetLife's own credit during the quarter contributed to the net derivative losses.

Premiums, fees & other revenues were $13.1 billion, down one percent (up two percent on a constant currency basis) from the fourth quarter of 2012.

Book value, excluding accumulated other comprehensive income (AOCI), was $48.49 per share, up from $46.73 per share in the fourth quarter of 2012.

Full year results

For the full year 2013, MetLife reported operating earnings of $6.3 billion, up 11% over 2012. The increase reflects operating earnings growth of 13% in the Americas, 20% in Asia (27 percent on a constant currency basis) and 21 percent in EMEA (18 percent on a constant currency basis). Partially offsetting these gains were larger losses in Corporate & Other. On a per share basis, 2013 operating earnings were $5.63, up 7% over 2012. Growth on a per share basis was dampened by the increase in the number of outstanding common shares resulting from the conversion of $1.0 billion of the equity units issued in 2010 to fund the Alico acquisition.

MetLife reported full year 2013 net income of $3.2 billion, or $2.91 per share.

The Americas

Total operating earnings for the Americas were $1.4 billion, up 13%. Premiums, fees & other revenues for the Americas were $10.0 billion, up one percent, and excluding pension closeouts, up five percent.

Retail

Operating earnings for Retail were $658 million, up 4%. Premiums, fees & other revenues for Retail were $3.3 billion, up 4% primarily due to an increase in separate account fee income as well as higher income annuity sales. Fourth quarter 2013 variable annuity sales were $1.7 billion, down 49%. For the full year 2013, variable annuity sales were $10.6 billion – in line with the company's plan of $10 to $11 billion.