

VA Sales are Down, But AUM Is Up: Morningstar

By Kevin Loffredi Thu, Dec 8, 2016

'Eight of the top-ten issuers saw their sales decline in the third quarter compared to the first quarter, where all 10 had negative sales growth,' writes Morningstar's annuity product manager in his quarterly VA Sales and Asset Survey.



At \$25.0 billion, new sales of variable annuities were 4.13% lower (approximately \$1 billion) in Q3 2016 than in the previous quarter. Year over year, sales dropped 21.2% from the \$31.7 billion sold in the previous year's third quarter, according to Morningstar's quarterly Variable Annuity Sales and Asset Survey.

Nationwide and Ameriprise were the only two issuers with sales gains in the current quarter. Jackson and Prudential were the issuers of the top three contracts by net flows: Perspective II, Premier Retirement VA B and Prudential Defined Income. Jackson National led in the bank, independent, and wirehouse channels; Lincoln led in the regional channel; TIAA topped the captive channel; and Fidelity led in the direct channel.

Eight of the top-ten issuers saw their sales decline in the third quarter compared to the first quarter, where all 10 had negative sales growth. Month-by-month, the sales of reporting companies was choppy, with a 13.92% decline in July followed by a 15.9% increase in August and a 7.7% decrease in September.

During the third quarter, only 13 of the 48 carriers (27%) had positive net flows. This percentage is similar to previous quarters this year, but in previous years about 40% of carriers had positive net flows. Despite the decline in sales from the previous quarter and a larger negative outflow for the quarter, assets under management increased during the quarter by 2.17% to \$1.9 trillion. For reference, the return for the S&P 500 Total Return index for the third quarter 2016 was 3.85%.

The assault on L-share contracts continues, thanks to FINRA's penalization of firms that sell them. Sales fell to 3.4% of total sales this quarter compared to 10.8% in the same quarter last year and 5.2% last quarter. L-share fees are relatively high and, despite their short surrender period, most are sold with lifetime income benefits. FINRA sees this inconsistency as creating the potential for unsuitable sales.

By distribution channel, the captive agency channel led with 38.3% of sales, followed by the independent channel with 32.9%. Year over year, only the regional firms and captive agency channels had notable changes, with a share decline of 2.2% and share growth of 4.3%, respectively.

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