

VA Sales Lack Clear Trend

By Editor Test Thu, Jun 6, 2013

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The performance of the variable annuity business in the first quarter of 2013 was mixed.

This year isn't starting out as strong as 2012 did. Net cash flow into VA contracts—sales minus surrenders, exchanges and distributions—was 76.3% lower in the first quarter of 2013 than in the same quarter a year earlier, according to Morningstar's Annuity Research Center. At \$34.3 billion, total first quarter sales figures were down from \$35.7 billion in 1Q 2012.

But 2013 started better than 2012 ended. Net cash flow in 1Q 2013 rose versus 4Q 2012 (\$900 million vs. minus \$600 million) and sales were up slightly, from \$33.9 billion in the final quarter of 2012. Helped by a bull market that pushed the DJIA over 15,000 for the first time, VA assets under management at the end of the first quarter 2013 reached a new record of \$1.72 trillion, up from \$1.64 trillion at the end of 2012.

Companies Issuing VAs at a FASTER Rate in 1Q 2013 than in 2012		Companies Issuing VAs at a SLOWER Rate in 1Q 2013 than in 2012	
Company	Ratio of 1Q Sales to 2012 Total Sales (%)	Company	Ratio of 1Q Sales to 2012 Total Sales (%)
Midland National	47.13	John Hancock	7.25
Minnesota Life	34.74	Guardian Life	9.77
Fidelity Investments Life	33.30	UNIFI Companies	19.00
Inviva	32.35	Security Benefit	19.66
Pacific Life	32.35	MetLife	19.87
Aegon/Transamerica	30.26	Protective	20.08
Symetra	29.68	ING Group	20.86
Lincoln Financial	29.55	Prudential	21.06

Source: Morningstar, Inc. 2013

The overall figures are hard to interpret, however, because the industry is still shaking out and products continue to evolve. The sales leaders are still thriving—especially Jackson National—but the products are generally stingier. “The remaining active retail market companies are largely above water on a net basis, while cash drains from group contracts and exited companies continue to be the main culprits driving the low industry number,” wrote Frank O’Connor, director of the Annuity Research Center, in his quarterly report.

De-risking of products can only hurt sales. When VA income riders were patently underpriced in 2005 through 2007, advisors recognized the opportunities and took advantage of them. As products have become more accurately, and even defensively, priced, demand will inevitably suffer, even at a time when 10,000 Boomers are reaching age 65 daily.

Billion-Plus VA Sellers in First Quarter 2013	
Company	1Q Sales (\$bn)
Jackson National	4.565
Prudential Financial	4.206
MetLife	3.517
TIAA-CREF	3.153
Lincoln Financial	3.079
SunAmerica/VALIC	2.293
AXA Equitable	2.078
Aegon/Transamerica	1.597
Pacific Life	1.291
Ameriprise Financial	1.235
Nationwide	1.132
Source: Morningstar, Inc. 2013	

The fastest growing product in the first quarter was Jackson National’s Elite Access B share. A year ago, shortly after it was launched, it was ranked 217th in sales. At the end of 1Q 2013, it was ranked 10th, with \$785.5 million in sales.

Other contracts that have moved up significantly in the rankings over the past year are AXA's Structured Capital Strategies B-Series, and two from Pacific Life: the Destination O-Series and Innovations Select. Neither Elite Access nor Structured Capital Strategies is aimed at providing lifetime income, but rather to offer tax-advantaged exposure to alternative investments and a buffer against losses, respectively.

In the various distribution channels, competition is most intense in the asset-rich wirehouse channel. Prudential, Jackson National and Lincoln Financial were the first quarter 2013 leaders in the wirehouses, with sales of \$575.8 million, \$562.8 million and \$526.1 million, respectively. Meanwhile, Lincoln Financial and MetLife fought for leadership in the regional broker/dealer channel, with sales of \$670.2 million and \$639.7 million, respectively.

The VA industry remains highly consolidated. The ten largest issuers accounted for about 79% of all sales in the first quarter, and the five largest issues accounted for more than half of all sales.

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