

## Variable annuities see \$18 billion net outflow in 1Q2018

By Editorial Staff      Thu, Jun 7, 2018

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New sales of variable annuities (VAs) dipped modestly in 1Q2018 on both a quarter-on-quarter and year-on-year basis, to \$22.45 billion, marking the second-lowest quarterly sales total on record going back to 1999 (the lowest was in Q3 2017, with sales of \$20.6 billion), according to Morningstar's latest Variable Annual Sales and Asset Survey.

Just one company—TIAA, largest carrier of VAs as measured by total net assets—accounted for roughly 60% of the quarter-one-quarter decline. But TIAA did not suffer alone. Only two of the top 10 carriers reported positive new sales growth in Q1, and barely so. On net, the top 10 issuers saw sales decline by \$1.1 billion, which more than explains the industry's overall net decline of \$1.03 billion in the first quarter.

Nonetheless, the VA market continued its long-term trend of market-share consolidation. Industry consolidation continues. The top 10 carriers accounted for almost 71% of all assets under management in the industry, up from 68% a year ago and 65% five years ago. The faces of the top 10 haven't changed much in recent quarters. TIAA, Jackson National, and Lincoln Financial hold the largest market shares. AXA and AIG moved up in the share rankings, to fifth and sixth place, respectively. Brighthouse tumbled to seventh from fifth.

On a year-over-year basis, the rate of decline in VA sales appears to have stabilized. After averaging 16% declines each quarter over the eight quarters ending 3Q2017, sales were down just 2% year-over-year in Q4 and again in Q1.

The recent increase in market interest rates, coupled with the seeming demise of the Department of Labor's Fiduciary Rule following several court decisions earlier this year, have buoyed market participants' expectations that VA sales are poised to rise.

Still, VAs suffered net outflows of \$18 billion in the first quarter. The industry has now recorded 24 straight quarters of negative net flows totaling \$186.4 billion. Turmoil in the equity market hurt asset valuations in the first quarter.

Among the distribution channels, independent broker-dealers gained market share, accounting for more than 38% of sales in the first quarter. These gains came largely at the

expense of captive agencies, which accounted for just under 36%. TIAA-CREF, AXA, and Ameriprise dominate the captive agency sales. Jackson, Lincoln, and Prudential notably reflect top three leaders of sales within independent firms.

Note: MassMutual stopped reporting sales and assets in Q4 2017. Voya stopped reporting sales in 2016. Prudential's products' assets are tracked under older versions of policies with no flows for current versions.

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