
VAs' negative cash flow exceeds \$1 billion in 1Q2014

By Editorial Staff Thu, Jun 12, 2014

With sales of \$6.4 billion, up from \$5.5 billion in 4Q2013, Jackson National was the only major VA issuer whose sales grew in the first quarter, according to Morningstar.

New sales of variable annuities dropped 6.4% in the first quarter of 2014, to \$33.0 billion vs. \$35.3 billion in the last quarter of 2013, according to Morningstar's quarterly Variable Annuity Sales and Asset Survey.

Sales were also down 3.7% from the first quarter of 2013 level of \$34.3 billion. Assets rose to \$1.88 trillion from \$1.87 trillion at the end of last year. Net cash flow was again negative for the quarter, estimated at \$(1.1) billion.

VA sales were affected by "poor market performance and increased volatility" during the quarter. Both factors may have helped lift the sales of "VA substitutes" like fixed index annuities with guaranteed lifetime withdrawal benefits (GLWBs).

Jackson National's industry-leading market share reached 19.3% at March 31, 2014, up from 15.5% on December 31, 2013. With sales of \$6.4 billion, up from \$5.5 billion in 4Q2013, the unit of Britain's Prudential plc was the only major VA issuer whose sales grew in the first quarter.

Jackson's sales growth was more concentrated in its Perspective product line, which saw a 20.2% sales increase, than in its newer EliteAccess line of accumulation-driven VAs, which grew 4%. The other top-25 companies showing growth were Fidelity, Thrivent Financial, and New York Life. Their sales were up 10.5%, 5.5%, and 4.9% in 1Q2014, respectively.

Morningstar noted that its "net flow survey is discontinued beginning this year; the calculated estimates are derived from all reported assets in VA products, vs. the survey process which did not have the industry's full participation." Net flows continue to be hurt by "drawdowns of large blocks of aged 403(b) business and the exodus of assets from contracts issued by companies that have exited the industry," Morningstar said.