

THE DATA

QUARTERLY VARIABLE ANNUITY TABLES

Defining Factors

As assets grew for the first time in several quarters, further consolidation of the industry became clear. By Frank O'Connor

NEW SALES OF VARIABLE ANNUITIES recovered moderately in the second quarter, increasing 4.3% to \$31.2 billion from a multiyear low of \$30 billion in the first quarter. Sales were still down 24% from second-quarter 2008 sales of \$41.1 billion, however.

The improvement was far from broad-based, with some companies showing large declines from the first quarter and others posting significant increases. Some companies, such as Phoenix with an 82% drop in sales, show signs of all but exiting the busi-

ness, while larger companies such as ING (down 39%) and AXA Equitable (down 37%), suffered large drops due to the closing or modification of their living-benefit guarantees. Allianz (down 55%) was also a major decliner, largely as a result of falling back from dramatically elevated first-quarter sales driven by advisors scrambling to close business prior to the termination of guarantees.

LEADING THE PACK

Big gainers were Ohio National (up 101%), Guardian (up 99%), Prudential (up 60%) and NY Life (up 54%). Ohio National and NY Life continue to offer accumulation benefits, while Guardian and Prudential have lifetime withdrawal benefits.

Assets under management also

saw the first increase in several quarters, gaining 11.3% to \$1,187 million, from \$1,067 million in the first quarter. The increase in total assets was driven in large part by positive returns in U.S. equities, as the S&P 500 rose 15.2% over the same period. Assets in fixed accounts increased by 0.7% after dropping 2% in the first quarter, while money market assets fell 9.6% in their second straight quarterly drop.

Assets in large-cap blends, where nearly a quarter of separate account assets are invested, grew by 19.4%,

happens an apt description of the majority of the VA market today.

SETTING THE STANDARD

Jackson National's Perspective II product led retail sales, followed by Prudential Apex II, John Hancock Venture, MetLife Investors Series L, and Perspective L, Jackson National's L-share version of the Perspective product. All five continue to offer living benefits, albeit at a higher cost and/or lower potential benefit. Fully 75% of sales reported in the second quarter were in qualified plans,

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ness, while larger companies such as ING (down 39%) and AXA Equitable (down 37%), suffered large drops due to the closing or modification of their living-benefit guarantees. Allianz (down 55%) was also a major decliner, largely as a result of falling back from dramatically elevated first-quarter sales driven by advisors scrambling to close business prior to the termination of guarantees.

indicating positive flows in addition to market gains. Overall, assets and flow data in the quarter indicate an increasing appetite for riskier asset classes.

TAKING CONTROL

MetLife again led in sales with a 14.4% market share, followed closely by TIAA-CREF (11.5%), Prudential (10.8%), Jackson National (7.2%) and Lincoln National (6.1%). The concentration of sales in top companies is at a historical high point. These top five companies represented 50% of second-quarter sales, versus the top five companies claiming 46% of sales five years ago. This trend is likely to continue as some companies find it difficult to compete effectively in the guaranteed-income benefit market, which is per-

indicating that living- and death-benefit guarantees are very much in focus.

Just over 85% of retail sales occurred in products that still offer some form of withdrawal guarantee, about the same as the percentage prior to the crisis. Investors and advisors, then, are showing a clear preference for companies and products that offer these guarantees. Companies that discontinue these benefits will find a tough row to hoe absent other external factors such as a significant increase in income and/or dividend, and capital gains taxes. **FP**

Frank O'Connor is director of insurance solutions at Morningstar.

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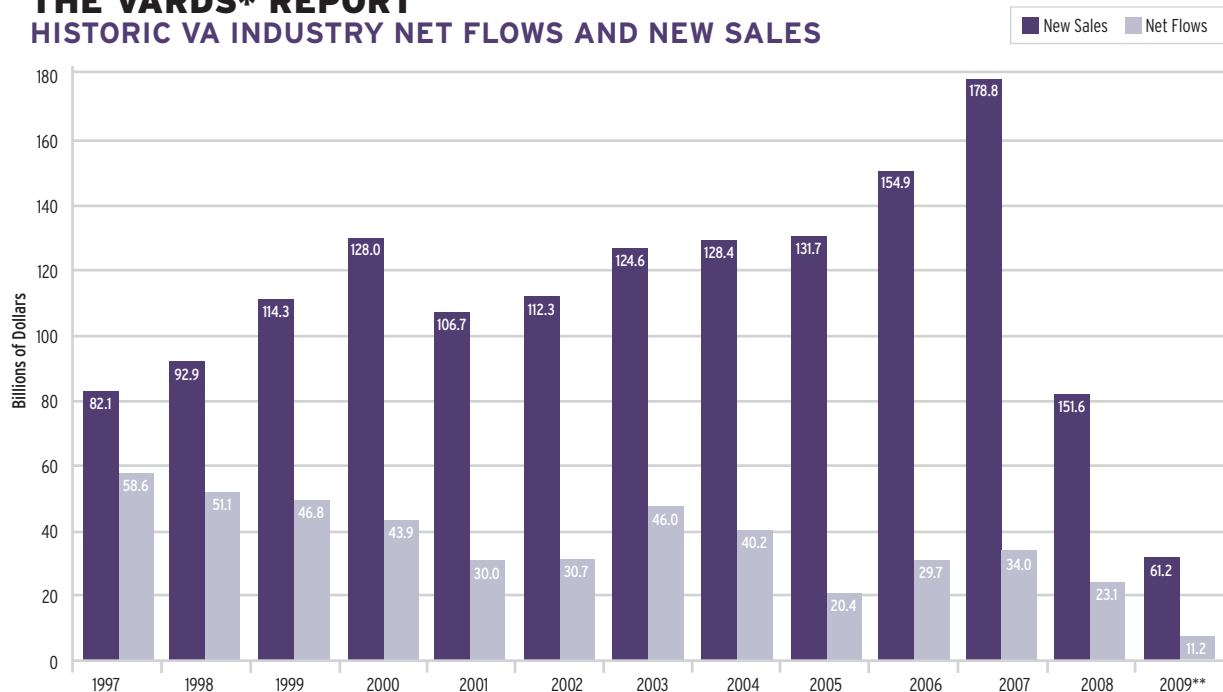
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TOP 25 VARIABLE ANNUITY ISSUER SALES (RANKED BY NEW SALES, \$MILLIONS)
6/30/2009 YEAR-TO-DATE VS. 12/31/2008 YEAR-TO-DATE

(DATA IS REPRESENTATIVE OF THE VARDS* UNIVERSE ONLY—NEW CONTRACTS MAY NOT BE INCLUDED)

RANK BY NEW SALES 2008	RANK BY NEW SALES 2009	ISSUER	NEW SALES Q2 2009 YTD	INTERNAL SALES Q2 2009 YTD	TOTAL FLOW Q2 2009 YTD	NEW SALES Q2 2008 YTD	INTERNAL SALES 2008 YTD	TOTAL FLOW 2008 YTD	SALES RATIO (NEW SALES)	MARKET SHARE (NEW SALES)
2	1	MetLife	\$8,239.6	\$234.3	\$8,473.9	\$13,951.3	\$677.7	\$14,629.0	59.06%	13.46%
1	2	TIAA-CREF	\$7,099.0	\$0.0	\$7,099.0	\$14,511.2	\$0.0	\$14,511.2	48.92%	11.60%
6	3	PRUDENTIAL/AMERICAN SKANDIA/ALLSTATE	\$5,482.3	\$0.0	\$5,482.3	\$10,198.3	\$0.0	\$10,198.3	53.76%	8.96%
3	4	AXA Equitable	\$4,714.0	\$87.8	\$4,801.8	\$13,337.0	\$211.4	\$13,548.4	35.35%	7.70%
12	5	Jackson Natl Life Insurance Co	\$3,758.0	\$0.0	\$3,758.0	\$6,465.5	\$0.0	\$6,465.5	58.12%	6.14%
7	6	John Hancock Life Insurance Co (USA)	\$3,745.6	\$51.9	\$3,797.5	\$9,465.6	\$0.0	\$9,465.6	39.57%	6.12%
5	7	Lincoln National Life Insurance Company	\$3,703.9	\$49.6	\$3,753.5	\$10,983.0	\$146.3	\$11,129.3	33.72%	6.05%
4	8	ING GROUP OF COMPANIES	\$2,873.6	\$130.6	\$3,004.2	\$12,281.9	\$439.3	\$12,721.2	23.40%	4.70%
11	9	Ameriprise Financial	\$2,725.2	\$0.0	\$2,725.2	\$7,417.2	\$0.0	\$7,417.2	36.74%	4.45%
8	10	SunAmerica/VALIC	\$2,266.5	\$0.0	\$2,266.5	\$8,152.4	\$0.0	\$8,152.4	27.80%	3.70%
13	11	Nationwide Life Insurance Co	\$1,902.9	\$133.0	\$2,035.9	\$4,114.5	\$495.8	\$4,610.3	46.25%	3.11%
10	12	Pacific Life Insurance Company	\$1,810.7	\$0.0	\$1,810.7	\$7,818.0	\$0.0	\$7,818.0	23.16%	2.96%
15	13	Allianz Life Ins Co of North America	\$1,761.9	\$2.3	\$1,764.2	\$3,090.6	\$9.6	\$3,100.2	57.01%	2.88%
14	14	AEGON/TRANSAMERICA	\$1,693.8	\$47.5	\$1,741.3	\$3,275.3	\$113.6	\$3,388.9	51.71%	2.77%
18	15	Sun Life Assurance Co of Canada (US)	\$1,409.8	\$4.0	\$1,413.8	\$1,993.2	\$6.7	\$1,999.9	70.73%	2.30%
9	16	Hartford Life Insurance Company	\$1,404.9	\$4.8	\$1,409.7	\$7,903.2	\$43.8	\$7,947.0	17.78%	2.30%
19	17	Ohio National Life Insurance Co.	\$1,285.3	\$0.0	\$1,285.3	\$1,754.9	\$0.0	\$1,754.9	73.24%	2.10%
21	18	Massachusetts Mutual Life Insurance	\$715.5	\$43.1	\$758.6	\$1,671.5	\$349.6	\$2,021.1	42.81%	1.17%
16	19	Fidelity Investments Life Ins	\$636.4	\$0.0	\$636.4	\$2,372.5	\$0.0	\$2,372.5	26.82%	1.04%
22	20	THRIVENT FINANCIAL	\$622.6	\$20.4	\$642.9	\$1,222.9	\$62.4	\$1,285.3	50.91%	1.02%
20	21	New York Life Insurance & Annuity Corp	\$525.5	\$0.0	\$525.5	\$1,678.0	\$0.0	\$1,678.0	31.32%	0.86%
27	22	Guardian Insurance & Annuity	\$478.5	\$4.3	\$482.8	\$467.6	\$18.7	\$486.3	102.33%	0.78%
23	23	Northwestern Mutual Life Insurance Co.	\$414.7	\$0.0	\$414.7	\$972.3	\$0.0	\$972.3	42.65%	0.68%
28	24	Protective Life Insurance Company	\$318.8	\$2.8	\$321.6	\$455.7	\$7.3	\$463.0	69.96%	0.52%
30	25	Penn Mutual Life Insurance	\$301.1	\$0.0	\$301.1	\$355.8	\$0.0	\$355.8	84.63%	0.49%
INDUSTRY TOTALS			\$61,202.6	\$1,009.8	\$62,212.3	\$151,627.9	\$3,071.2	\$154,699.1	40.36%	

THE VARDS* REPORT
HISTORIC VA INDUSTRY NET FLOWS AND NEW SALES



*Variable Annuity Research and Data Service (VARDS)
 **Q2 data. Source: Morningstar. Data as of June 30, 2009