

DTCC MARKET INTELLIGENCE



ANNUITY MARKET ACTIVITY REPORT

First Quarter 2014

Insurance & Retirement Services
Analytic Reporting for Annuities Service

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About the Analytic Reporting for Annuities Service

[Analytic Reporting for Annuities](#) (Analytic Reporting) is an award-winning online information service offered by The Depository Trust & Clearing Corporation's (DTCC) Insurance & Retirement Services (I&RS) business. The service delivers data from millions of annuity transactions processed through I&RS for insurance companies and broker/dealers, providing users with an in-depth and comprehensive view of the annuity marketplace with a particular concentration on non-proprietary distribution.

In Q114, more than \$49 billion in annuity transactions were processed by I&RS for:

- 117 insurance company participants (representing 43 parent/holding companies)
- 135 distributors
- 3,278 annuity products

If you would like more information about this report or about the Analytic Reporting for Annuities service, please contact I&RS at 1-888-382-2721 or email us at insurance@dtcc.com.

Analytic Reporting for Annuities is a service offering of National Securities Clearing Corporation, a subsidiary of DTCC.

Executive Summary

DTCC's Q114 Annuity Market Activity report showcases our extensive repository of transactional information to provide a compelling overview of the market for annuity products. The report compares numerous points in time across the following factors: cash flows, products, insurance carriers, distributors, account types and geography.

Inflows and Outflows Up, While Net Flows Are Down

A Q114 cash flow summary shows that inflows are up 18% over Q113; conversely outflows were also up, resulting in a more than 40% decline in net cash flows. While a considerable decline, positive spikes in inflows and net flows kept the gap from widening. A deeper dive into the type of accounts being used for annuity products reveals an increasing share of inflows going into qualified accounts. In 2013 there was a steady decline in the net cash flows of both qualified and non-qualified accounts; however, the outlook is projected to be brighter in 2014. Net flows for both qualified and non-qualified accounts have dramatically increased. Even though non-qualified accounts are still below the line, the trend is positive.

High Net Flow Concentration

When observing distribution in Q114 we see a segmented view in terms of the current cash flow ratio. There are a relatively small number of distributors with high net cash flows. This information should be illuminating to distributors as many of their peers/competitors are facing similar hurdles. From an inflow perspective the top ten distributors accounted for 66% of all inflows in Q114 and Q113, with little change year-over-year in the overall landscape of the players. From a geographic perspective, the inflow activity has been consistent with the same ten states accounting for more than half of all flows in Q114 and Q113.

Shifts Occurred in the Top Ten Company Rankings

The landscape of the insurance/holding company market is showing moderate change. There were significant movements in the ranking of carriers by inflows from Q113. Prudential and Met Life dropped from the 2nd and 4th ranking, respectively, to rank at 4th and 7th, respectively. Manulife and AXA fell out of the top 10 to rank at 11th and 12th, respectively. Jackson National and Lincoln remained at the 1st and 3rd spots in the ranking, respectively. Despite the shifts, the top 10 insurance companies captured more than 76% of total inflows in Q113 and Q114. The net flow picture was similar with the top 10 carriers accounting for the bulk of total positive net flows, with more than 88%.

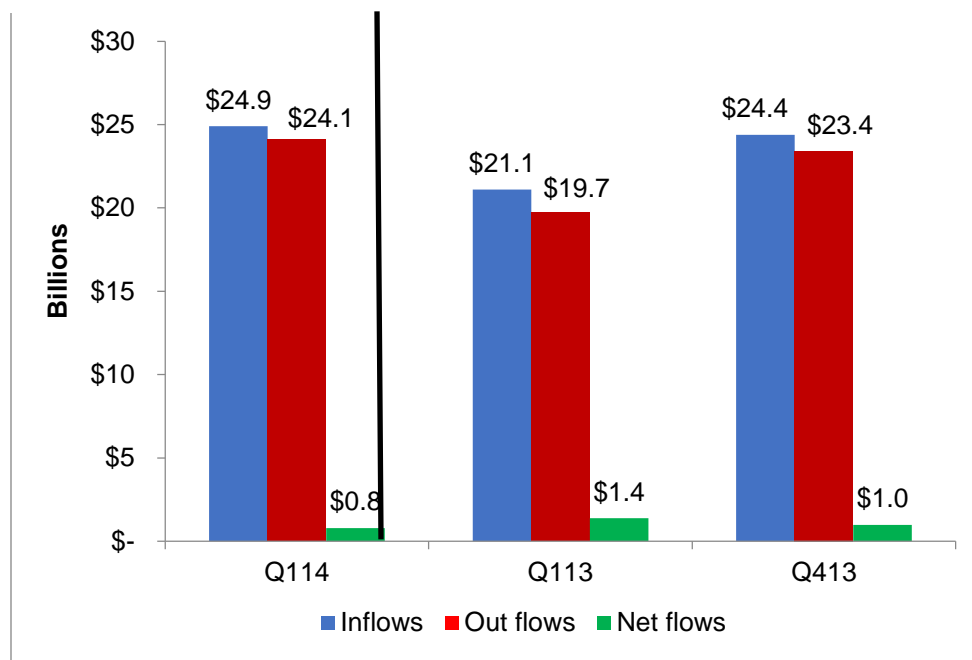
Top Products Dominate Inflows and Net Flows

Once again, as noted with the carrier rankings, there are shifts year-over-year in the top 10 products ranked by inflows, but even with the changing landscape the top products continue to capture more than a third (34%) of all inflows. Jackson National's Perspective and Elite Access products continue to account for the lion's share of the top 10 products by inflows and net flows.

Q114 Market Summary – Cash Flows

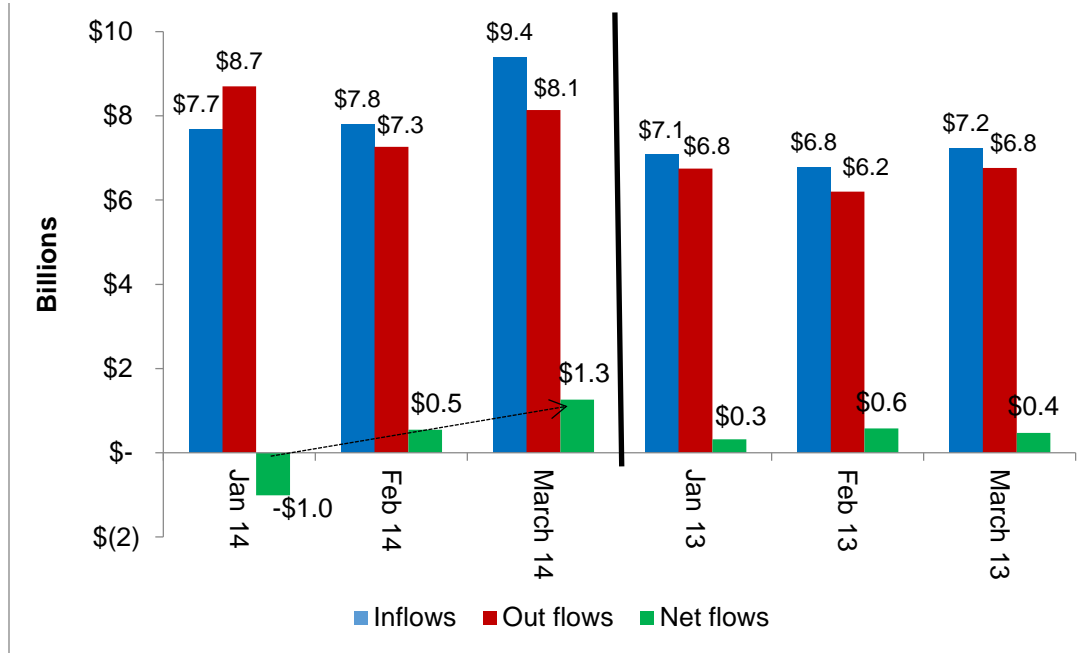
Inflows into annuity products processed by I&RS were \$24.9 billion, up 18% in Q114 from Q113, but out flows increased by 22%, resulting in more than a 40% decline in net cash flows. For the period Q413 to Q114 there was a slight increase in inflows, relatively flat outflows and a continuing decline in net flows.

Annuity Cash flows Quarterly Comparison

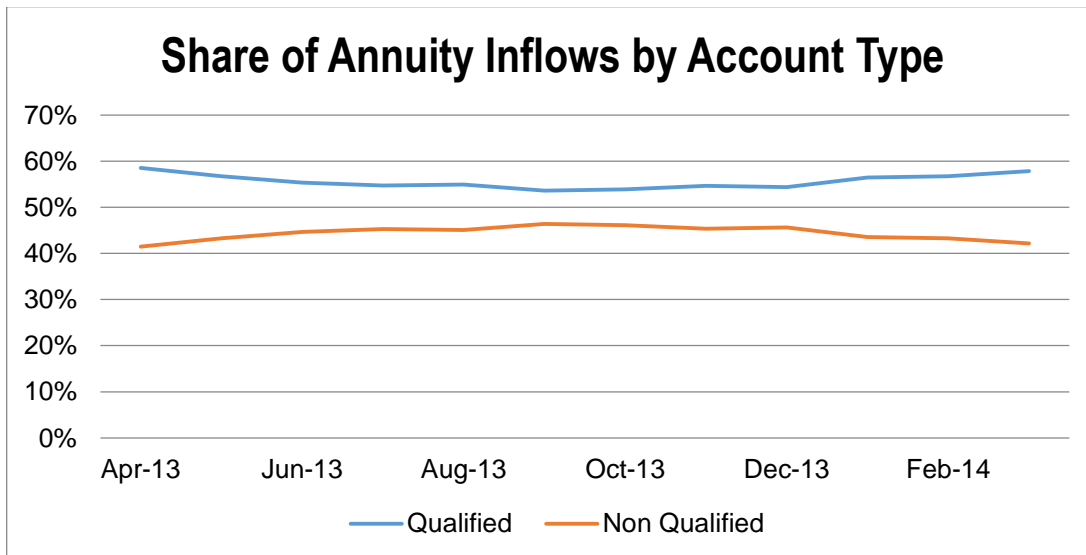


Annuity inflows totaled \$9.4 billion in March, an increase of 31% from March 2013 and 21% from February 2014. A significant increase in net flows was realized in Q114 when there was a spike from negative \$1 billion in January to positive \$1.3 billion in March. This is a vastly different picture from the same time period in 2013 where inflows, out flows and net flows were relatively flat.

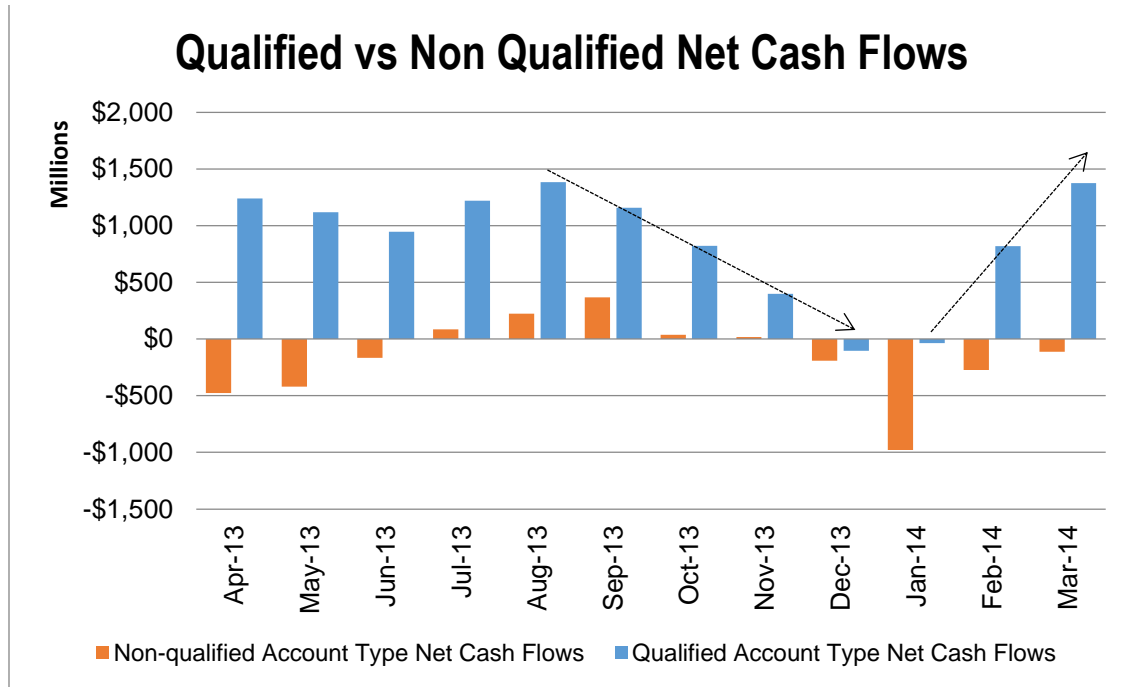
Annuity Cash flows January – March 2013 vs January – March 2014



The difference in the share of annuity inflows going into qualified and non-qualified accounts began widening at the start of 2014 after a gradual decline from April to December 2013. Overall, inflows into qualified and non-qualified accounts in Q114 are steadily increasing with the share of dollars continuing to be invested in qualified accounts on the rise.

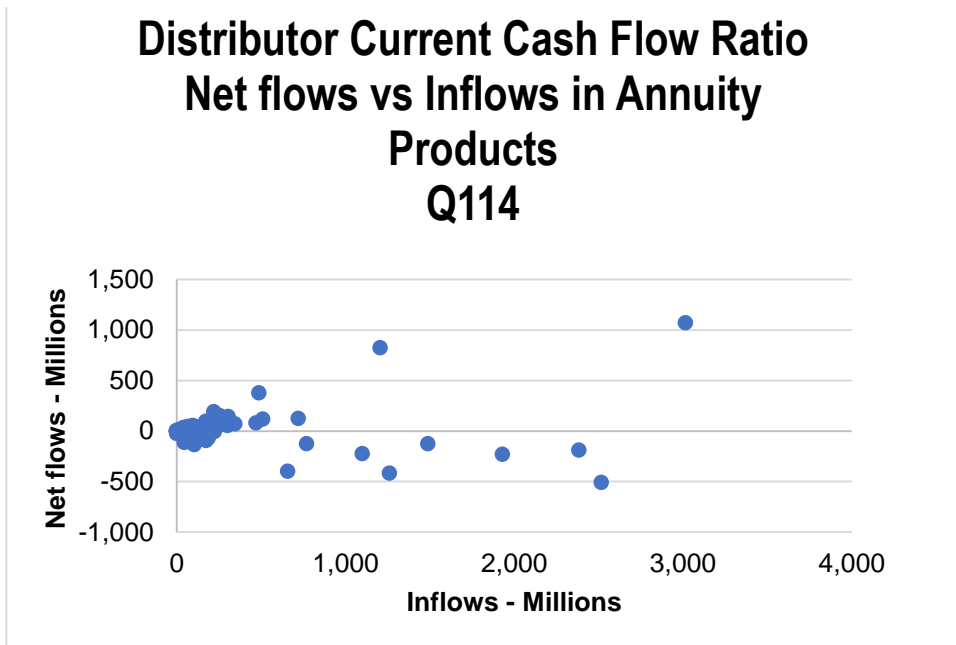


In Q114 net cash flows in non-qualified accounts remained in negative territory but they are trending in a positive direction from negative \$979 million to negative \$111 million. Meanwhile, after a steady decline in net flows into qualified accounts from August to December 2013, there has been a dramatic increase from January to March 2014 from negative \$36.4 million to positive \$1.3 billion.



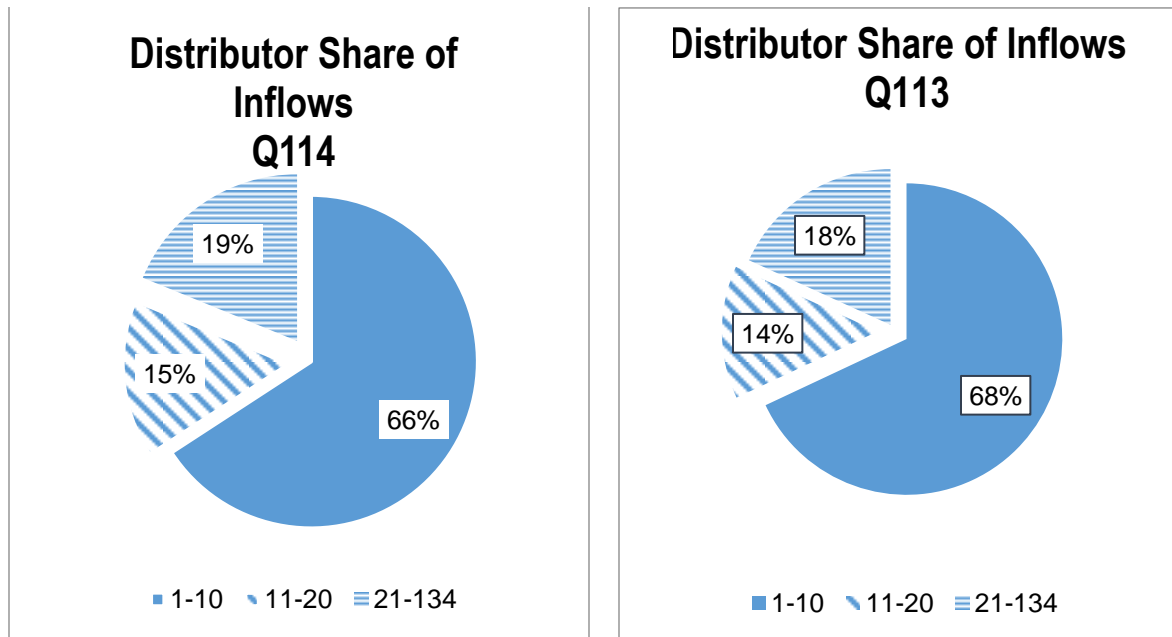
Q114 Landscape of Distribution

The national view of the distribution market paints a telling picture. There are a small number of distributors with high net cash flows. This view from Analytic Reporting can be extremely useful for individual carriers, as they can compare their own current cash flow ratios by distributor to national benchmarking information as well as gain a better understanding of where they stand in relation to others in their peer group/competitors.



Analysis of inflows, out flows and net cash flows yields a view of each distributor's current cash flow ratio

The top 10 distributors accounted for more than 66% of all inflows in Q114 and Q113 with little change year-over-year in the overall landscape of the top players.



Geographic View of Market Activity

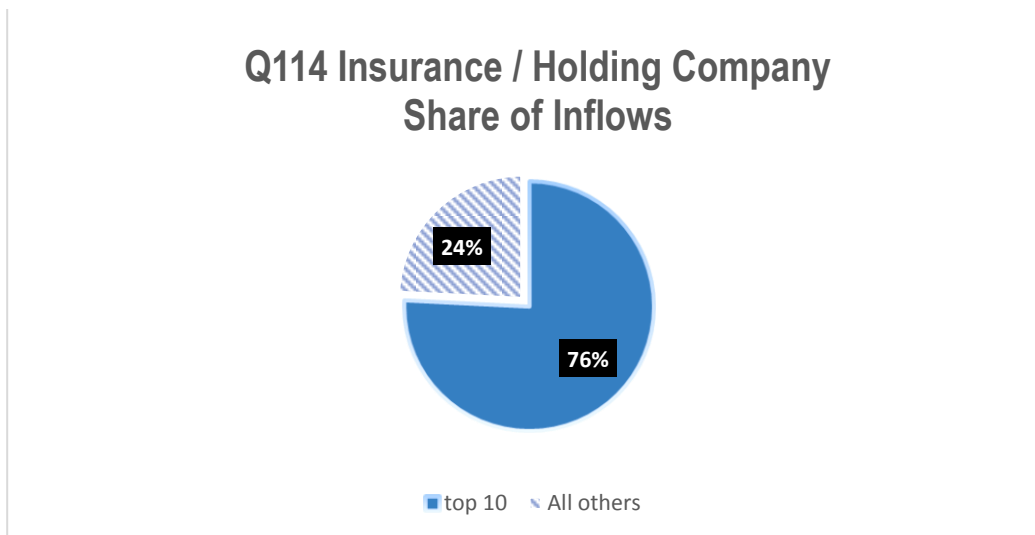
The top 10 states accounted for more than half of total inflows in Q114 and Q113. The overall share of inflows attributed to the top 10 states increased slightly from 53% in Q113 to 56% in Q114. Year-over-year the majority of inflows are coming from the same ten states.

Q114 Top States Ranked by Inflows (\$B)			Q113 Top States Ranked by Inflow (\$B)		
Rank	State	Market Share	Rank	State	Market Share
1	California	10.4%	1	California	10.1%
2	New York	7.9%	2	Florida	7.0%
3	Florida	7.5%	3	New York	6.8%
4	Texas	6.4%	4	Texas	6.1%
5	Pennsylvania	4.8%	5	Pennsylvania	5.0%
6	New Jersey	4.7%	6	Ohio	4.3%
7	Ohio	4.1%	7	New Jersey	4.0%
8	Illinois	3.8%	8	Michigan	3.7%
9	Michigan	3.4%	9	Illinois	3.4%
10	Massachusetts	2.9%	10	Massachusetts	2.8%

The Territory Management feature of Analytic Reporting allows users to track and benchmark their firm's performance and market share in any combination of states, cities and zip codes, providing a geographic view of market activity, including where business is being done and how business is being conducted in different product types and account types.

Overview of Insurance / Holding Companies

The top 10 insurance / holding companies ranked by inflows captured almost \$19 billion or more than 76% of total inflows in Q114. This is comparable to Q113 when the top 10 companies accounted for slightly lower inflows (\$17 billion), but a slightly higher percentage of total inflows of over 79%.



Top insurance / holding companies ranked by Inflows

The data shows some significant changes in the carrier ranking landscape from Q113 that includes Prudential dropping from the number 2 ranking to rank at number 7, Met Life dropping from 4th to 13th and Manulife and AXA falling out of the top 10 to rank at 11th and 12th, respectively. Jackson National and Lincoln remained at 1st and 3rd, respectively, in the rankings and AIG and AEGON moved up to 2nd and 4th, respectively from 5th and 7th in Q113.

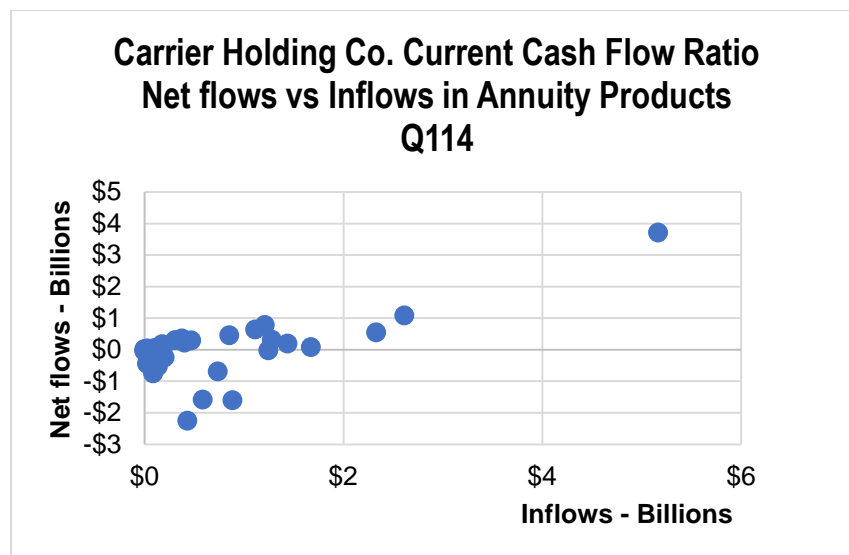
Rank	Holding Company	Q114 Inflows (\$B)	Market Share
1	Jackson National Life Insurance Co	\$5.2	20.7%
2	American International Group, Inc.	\$2.6	10.5%
3	Lincoln National Corporation	\$2.3	9.4%
4	AEGON NV	\$1.7	6.7%
5	Pacific Life	\$1.4	5.8%
6	Nationwide Financial Services	\$1.3	5.2%
7	Prudential Financial	\$1.2	5.0%
8	Allianz SE	\$1.2	4.9%
9	Ameriprise Financial Services Group, Inc	\$1.1	4.5%
10	Manulife Financial Corporation	\$0.9	3.6%

Top parent/holding companies ranked by Net flows

The top 10 insurance / holding companies ranked by net cash flows accounted for more than \$8.4 billion in positive net flows in Q114, which represents 88% of total positive net flows in the quarter. This is a slight change from Q113 when the top 10 accounted for lower net cash flows at \$7 billion but a slightly larger share at 92% of the total. Twenty-four insurance parent/holding companies had positive net flows totaling almost \$9.7 billion while nineteen experienced negative net flows totaling almost - \$8.9 billion.

Rank	Holding Company	Q114 Net flows (\$B)
1	Jackson National Life Insurance Co	\$3.71
2	American International Group, Inc	\$1.08
3	Allianz SE	\$0.77
4	Ameriprise Financial Group, Inc	\$0.64
5	Lincoln National Corp	\$0.54
6	New York Life Insurance Co	\$0.45
7	American Financial Group	\$0.35
8	Nationwide Financial Services	\$0.30
9	Forethought Financial Group	\$0.30
10	Symetra Financial Corp	\$0.29

Sixteen of the 43 insurance / holding companies had a current cash flow ratio of more than 50%, meaning that there was \$2 or more of inflows for every \$1 of out flows. The following chart plots inflows and net flows to show the range of current cash flow ratios.



Product Inflows and Net flows

Q114 saw some shifts in the products that are in the top 10 over the last year, but regardless of the shifts the top products continue to capture a little over a third (34.1%) of all inflows. Over the last year Jackson National's Perspective and Elite Access products accounted for the lion's share of the top 10 inflows; this is especially evident in Q114 where they reached their peak, topping the 50% mark.

Top Annuity Products Ranked by Inflows

Rank	Product	Carrier	Q114 Inflows (\$B)	Market Share of all Inflows
1	Perspective II 05/05	Jackson National	\$2.69	10.8%
2	Perspective L-Series	Jackson National	\$1.33	5.4%
3	RAVA5 Advantage Variable Annuity	Ameriprise	\$1.02	4.1%
4	Elite Access	Jackson National	\$0.61	2.5%
5	Polaris Platinum III	AIG	\$0.60	2.4%
6	NYL Secure Term MVA Fixed Annuity II	New York Life	\$0.52	2.1%
7	Pr6 Premier Retirement VA B Series	Prudential	\$0.47	1.9%
8	Allianz 360 Fixed Annuity	Allianz	\$0.42	1.7%
9	Nationwide Destination B 2	Nationwide	\$0.40	1.6%
10	ARA 06 GIFL	Manulife	\$0.39	1.6%

In Q114 the top 10 annuity products ranked by net flows captured more than \$7.2 billion in positive net flows. This is a 7% increase over Q113 where they accounted for \$6.7 billion. That is the largest quarter over quarter positive net flow increase for the top 10 products in the last year. As is the case with inflows, Jackson's National's Perspective and Elite Access products continue to have a strong hold on the large percentage of net flows they account for in the top 10.

Of the 3,278 annuity products for which I&RS processed transactions in Q114:

- 643 products had positive net flows totaling just under \$20 billion
- 2,635 products had negative net flows totaling over -\$19 billion

Additionally,

- 49 of the products had more than \$100 million in positive net flows
- 6 of the products had more than \$500 million in positive net flows
- 2 products had more than 1 billion in positive net flows

Top 10 Annuity Products Ranked by Net flows

Rank	Product	Carrier	Q114 Net flows (\$B)
1	Perspective II 05/05	Jackson National	\$2.08
2	Perspective L-Series	Jackson National	\$1.00
3	RAVA5 Advantage Variable Annuity	Ameriprise	\$0.95
4	Elite Access	Jackson National	\$0.59
5	Polaris Platinum III	AIG	\$0.55
6	NYL Secure Term MVA Fixed Annuity II	New York Life	\$0.50
7	Allianz 360 Fixed Annuity	Allianz	\$0.41
8	Nationwide Destination B 2	Nationwide	\$0.38
9	Transamerica B Share	AEGON	\$0.38
10	Retirement Cornerstone 13 Series B	AXA	\$0.36

If you would like more information about this report or about the Analytic Reporting for Annuities service, please contact I&RS at 1-888-382-2721 or email us at insurance@dtcc.com.

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About DTCC

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