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Why Fixed Annuity Sales Are Trending Down

By Danny Fisher, CLU, ChFC

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Why are fixed annuity sales trending down this summer?

One reason is the natural ebb and flow of business. Everyone wants to get rich in the stock market as it continues an unprecedented sustained climb to record highs. Money is flooding equities as certificate of deposits and fixed annuity sales recede.

The trendy thing many insurers are doing to solve the premium flow problem is to jump on the latest band wagon and in a feeding frenzy, rush to develop their own "snowflake" equity indexed annuity. It's really interesting to watch so much time, money, energy, and creativity being directed toward the EIA. It's really a niche product and can only represent a small share of annuity premium.

There has never been, nor will there ever be a variable annuity or EIA that can take in $100 million in a week. But the right traditional fixed annuity can! For example, on a recent special limited offer of a CD annuity paying 7 percent for seven years, the insurer took in nearly $100 million in about eight business days. Volumes could be written about why that offer was so successful, but a key ingredient was it's simplicity, 7 for 7!

Look for companies to become more aggressive with traditional fixed annuity special promotions. These give insurers and agents something to get excited about and offer a good deal to clients.

Traditional fixed annuities automatically win back market share when the stock market stagnates, but in order to become a primary investment alternative in the mind of the public, the insurance business must make some changes. This is hard to do, of course. It's easier to stay in the same old rut than to crawl out and try a new path. When it comes to the traditional fixed annuity rut, there is a deafening quietness in creativity regarding new concepts and designs.

The majority of "new" annuities being trotted out are simply more of the same old ideas: pay bigger bonuses, higher commissions, longer surrender penalties, and lower renewal rates. What we really need to spur sales is just the opposite!

The five most important ingredients in fixed annuities are: rate, rate, rate, and the other two don't matter. Knowing that, it's hard to understand why so many companies have forgotten the axiom, "keep it simple stupid." They now try to sell annuities through complicated gimmickry rather than offering decent rates.

The leading annuity companies are becoming more aggressive in safely seeking higher investment yields, accepting a smaller spread, and paying lower commissions to agents in order to pay higher rates to policyholders.

To view a frightening trend, try surfing the NET for annuity information. It's a thrill a minute. The misleading information and illustrations will make the hair on your neck stand up. They would be a joke if they weren't so scary. This type of foolishness is going to cause unbelievable problems for companies, agents, regulators, and clients.

A trend that continues to escalate is the shift away from agents towards other distribution channels. One of the reasons for this is, as companies drop renewal rates on existing policies and announce record profits, experienced agents and clients tend to move their money to other companies. Then the companies must seek out novice marketers, such as financial institutions, to sell their policies.

As certain as the sun coming up tomorrow morning, the ingredients that sustain life in the insurance business are: integrity, safety, stability, a fair return paid to policyholders, and need for the policies offered. It's a sad trend to watch so many well-known companies forget that. However, their memory lapse creates opportunity for brighter, younger companies to capitalize on in the next millenia!