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Try Aggressive Fixed Annuity Development

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Are your phones, ringing with people wanting to put money into your company's fixed annuities? They are in my office—in fact, we're selling more fixed annuities now than at any time in the past 23 years. I believe there are three reasons:

1. The stock market is a little jittery and people are beginning to look more towards safety of principal;
2. Many insurers are paying very low renewal rates on old annuities, so people are transferring their business to newer, higher rate annuities; and most importantly,
3. Some insurers are becoming more aggressive in developing fixed annuities that credit higher returns.

In the Dec. 15, 1997 issue of *National Underwriter*, I wrote "……if the insurance business, is to retain, recapture, and increase market share of available investment dollars, companies will be rethinking what it takes to pay higher returns to policy owners. The "cutting edge" companies have already seen these trends and are sharpening their tools!"

Here is a brief look at what three companies have done in the last six months to sharpen their tools and make their phones ring.

John Van Engelen, President of Western United Life Assurance Company, Spokane, Wash., said, "Our annuity sales were flat. We had to do something to increase sales, so we introduced the TD-Max V-V annuity in February." (It currently pays 6.50 percent first year, with 6 percent guaranteed in years two through five. Surrender penalties expire after five years.)

"To pay a higher rate, the company reduced the spread and redesigned agent compensation ….(and) sales increased dramatically," Mr. Van Engelen said. The product was "developed to compete against bank certificates of deposit and Treasury bonds," he continued, and "so far, it has been successful."

In April, Columbia Universal Life in Austin, Texas introduced the CEO's Choice annuity and was very soon offering 7 percent interest in the first year, with a base rate of 6 percent in years two through six.

Mike Pinkham, chief executive officer of Columbia said, "We will compete, toe to toe, with any insurance company in America. To do that, I asked our agents to agree to give up some commission if we agreed to take a lower profit so we could pay a higher rate to our clients.

This agreement is working to a point. Now, the only thing left to improve upon is how much smarter we can invest the money and be assured that our clients have the best possible rates with quality investments to back them up!"

Now, consider G. Scott Smith, chief executive officer of National Health Insurance Company, Dallas, and Derrick A. Duke, the company's senior vice president – investments. They have started offering a special program in select annuities without reducing agent commissions.

"We felt like it was important for everyone involved, including the agent, to be a 'winner' in our program," explained Mr. Smith. As a result, a handful of agents, about 70 of them, turned in over $25 million the first six days of June in a "Limited Offer."

Mr. Duke made a special investment that allowed NHIC to pay a special rate on four of their annuities. For example, The National Choice annuity guaranteed 8 percent in the first year with a base rate of 7 percent in years two through five.

Said Mr. Duke: "I got tired of scratching my head, trying to figure out how other companies could pay higher rates than my company. Now, I want them scratching their heads trying figure out what we did!"

When told of Mr. Duke's comment, Mr. Pinkham said, "Well, I'll scratch until I figure it out. We're all trying to learn ways to improve business."

This is healthy competition at it's best: Companies are competing with high-quality, consumer-oriented annuities that offer rates higher than CDs or Treasury bonds. Clients and agents know a good deal when they see one and phones start ringing and money starts flowing in.