
It's Crunch Time for Annuity Issuers: Conning Research

By Editor Test *Wed, May 12, 2010*

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Now that annuity issuers have patched up their vessels from the storm of the financial crisis, they need to think about increasing sales. But, given the end of the variable annuities arms race and a decline in 1035 exchanges, fresh premium is scarce.

Growth will have to come from a new opportunity—providing income guarantees to the defined contribution market, for instance—or from capturing a larger share of the market, or from acquisitions.

That is the thrust of a new study from Conning Research & Consulting.

"The first priority for individual annuity insurers following the financial crisis has been to rebuild capital," said Scott Hawkins, analyst at Conning Research & Consulting. "Insurers have made significant progress in repairing their capital positions.

"At the same time, premiums have actually declined, and rebuilding them will be a challenge. As insurers seek new growth, each will analyze and leverage their unique competitive advantages to position themselves for either organic or acquisitive growth," he added.

The Conning Research study, "The Real Challenge in Rebuilding Individual Annuities: Developing Competitive Advantage in a Concentrating Market" reviews the recent history of concentration and consolidation that has altered the competitive landscape and premium growth rate.

Looking forward, the study addresses key strategies that will distinguish successful competitors in this new environment.

"Individual annuity insurers have responded to a slowing rate of growth over the past fifteen years with product development heavily focused on variable annuity benefits," said Stephan Christiansen, director of research at Conning.

"Yet as insurers look to the future, it is unlikely that enhancing benefits alone will provide the support it has in recent years. Our analysis points to the need for insurers to refine their individual success factors, including superior product development, distribution effectiveness and new market penetration," he said.

"The Real Challenge in Rebuilding Individual Annuities: Developing Competitive Advantage in a Concentrating Market" is available for purchase from Conning Research & Consulting by calling (888) 707-1177 or by visiting the company's web site at www.conningresearch.com.