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## **Thirteen Life and Annuity Specialists Rated 'Successful' by Conning**

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By Kerry Pechter     *Wed, Jul 9, 2014*

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Great American, Jackson National, and Thrivent Financial were named "successful" large companies that specialize in the life insurance and annuity market in the fifth edition of a survey that Conning Research began publishing in 2004.

In the proprietary study, "Successful Individual Life-Annuity Specialists," Conning analyzed companies active in the individual life and annuity market and divided them into four size categories based on their amount of capital and assets and their rankings of direct premium by product.

Conning singled out "successful" companies based on their operating margin, return on surplus, premium growth, and sales. Large, highly diversified, publicly-held insurers like Lincoln National, MetLife and Prudential were generally excluded from the study because they weren't believed to have a special focus in life insurance and annuities.

The five mid-sized life and annuity specialist firms deemed successful were FBL Financial Group, Indiana Farm Bureau, Modern Woodmen of America, Symetra and USAA. The five small life and annuity specialists named in the report were Bankers Life, First Catholic Slovak Union of the U.S. and Canada, Manhattan Insurance Group, Liberty Bankers Group and Tennessee Farmers.

"Our ongoing study of successful individual life-annuity companies continues with the 2014 edition, which for the first time includes a detailed analysis of the large company segment," said Terence Martin, analyst at Conning, in a statement. "One overriding characteristic of these companies was the consistency in their product mix over time; they appear to have found and kept true to the optimal mix for their firm."

Conning divided companies active in the individual life and annuity market into four size categories based on their amount of capital and assets and their rankings of direct premium by product. Conning also identified "successful" companies based on their operating margin, return on surplus, premium growth, and sales.

Among its findings:

- The Successful Small group had less of a dependence on single-premium sales than the Small group overall, while the Successful Large had a higher proportion of single premium.
- Successful companies maintained a higher allocation to NAIC Category 2 bonds and had slightly higher credit leverage.
- Using the average maturity as a rough measure of portfolio length shows the Successful Small and Successful Large companies had shorter portfolios than their corresponding overall groups.
- Successful companies had lower investment expense ratios than their respective overall groups.
- Successful companies in all three company size categories were found issuing policies of the same face amount, which means success can be found issuing policies of a broad range of size and does not require chasing ever-larger policies.
- The Successful companies generally have higher distributor productivity than their corresponding groups overall. This advantage becomes more pronounced when agency expenses are included in the analysis.

“In our analysis we see a greater focus on annuities among the successful insurers than we had previously,” said Steve Webersen, director of research at Conning. “Yet no specific mix of individual life and annuities appears more conducive to success, although stability of that mix does contribute.

“Dependence on single premium products works for larger companies, which can absorb the corresponding volatility, while smaller companies are more likely to succeed if they avoid single premium products. We identified a number of other interesting findings related to geographic mix, investments, policy size and distributor productivity.”

The annual study series now analyzes ten years of data (rather than the six years in the earlier editions of the series), includes fraternal organizations, and identifies successful Small, Midsized, and Large companies, rather than identifying just Successful Small companies.