

Traits of “leading” life/annuity issuers: Conning

By Editorial Staff *Fri, Sep 11, 2015*

In the 2015 edition of an annual report, Conning named 20 life/annuity specialists for superior performance, based on their operating margin, return on surplus, premium growth, sales and other metrics.

In its third annual review of insurance companies that specialize in issuing individual life and/or annuity products, Conning Inc., global research firm and institutional investment manager, identified 20 companies that demonstrate leadership in the field, as measured by public available sales and performance metrics.

The list of top performers (see table at right) includes eight well-known large companies and a dozen mid-sized and small insurance companies. To be included in the life/annuity category, a company has to receive half or more of its revenues from either life insurance or

annuity products.

Individual Life-Annuity Growth and Profit Leaders over a 6-year Horizon: Conning (In alphabetical order within each size category)
LEADING LARGE COMPANIES
American Financial Group (Annuity Investors Life, Great American Life)
Guggenheim Capital LLC (Security Benefit)
Jackson National (Prudential plc)
Midland National (Sammons)
New York Life
<u>Symetra</u> (now part of Sumitomo Life)
<u>Thrivent</u>
TIAA
LEADING MID-SIZED COMPANIES
FBL Financial Group
Indiana Farm Bureau
National Western Life Insurance Co.
USAA
LEADING SMALL COMPANIES
Baltimore Life
Directors Investment
First Catholic Slovak Union of USA & Canada
First Trinity Financial Corp.
GBU Financial Life
Greek Catholic Union of the USA
Manhattan Insurance Group (Harris Ins Holdings)
Tennessee Farmers
Source: Conning, September 2015. Note: Companies with names in bold met the leading criteria in the previous Conning study. Companies with names in bold and <u>underlined</u> met the leading criteria in the previous two studies.

Many large, diversified insurance companies, such as AIG, MetLife, Prudential, MassMutual, John Hancock or Northwestern Mutual, are not included in the category because they are not considered life-annuity specialists or because they emphasize group life or group annuity products over individual products.

The list is not a ranking, according to Terence Martin, a Conning director and author of the review, "Individual Life-Annuity Growth and Profit Leaders." Any number of companies can reach it, based on their fulfillment of the criteria, which include operating margin, return on surplus, premium growth, sales and others. This year's report, which Conning sells, also reviews the social media capabilities of life/annuity companies.

In the executive summary of the report, Martin noted these characteristics of leading life/annuity specialists:

- **'The Leading Small and Leading Large companies both have a higher dependence on single premiums.'** "Size is not a limiting factor in being able to absorb any volatility introduced by single-premium products," Martin wrote. He told RIJ that mutual companies typically include annual sales that result from dividend reinvestment as single-premium sales.
- **'The consistent element we have seen in this study and the prior two is the relative stability of the product mix (life vs. annuity) over time for the Leading companies.'** Martin said that the leading companies showed continuity in focusing primarily on life insurance or primarily on annuities over time.
- **'A calculated increase in exposure to NAIC category 2 may be beneficial' and 'The leading groups, particularly the Leading Small and Leading Midsized groups, have more aggressive lengthened their portfolios after the financial crisis.'** The companies on Conning's list were often able to outperform because they went up in average maturity and/or credit risk (to include bonds rated BBB by Standard & Poor's and Fitch, the lowest investment grade).
- **'Leading companies had lower investment expense ratios than a respective overall groups.'** "This factor wasn't big enough to have a huge effect on profitability, but it was a marker for excellence," Martin said.
- **'Success can be found issuing policies of a broad range of sizes and does not require chasing ever-larger policies.'** "The industry has seen the average size of policies creeping up for some time. This trend has been partly driven by the companies, and it has also been agent-driven. We found that companies have been able to make profit selling either large or small policies. Selling large policies isn't something you have to do to be successful."
- **'The Leading companies generally have higher distributor productivity than their overall corresponding group.'** "Distributor productivity refers to the amount of premium dollars the company gets for every dollar of commission they spend," Martin said. The study doesn't control for the fact that some companies tend to sell products, such as indexed annuities, that offer higher commissions than, for instance, fixed immediate income or fixed-rate deferred annuities.
- **'There did not appear to be a clear link between success and capital measures, whether measured by growth, capital leverage, or RBC ratio.'**

Conning, based in Hartford, CT, is owned by Aquiline Capital Partners but is in the process of being sold to Cathay Life Insurance Co., according to its website.