

Consumers Will Drive Demand for Variable Annuities: IRI

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BOSTON -- Financial advisors are going to play a bigger role in how the annuity industry gets its products to customers, according to industry officials presenting at the Insured Retirement Institute's 2011 annual conference. But consumers will be leading the charge.

“Engagement with financial advisors will be the vital piece to the overall puzzle on how we meet the historic demand for these products,” Lynne Ford, the chief executive officer of ING Individual Retirement said during a Monday morning session. Ford was also appointed the new chair of the IRI during the meeting in Boston.

But before counting on more growth from that segment, insurers need to devise compensation and practice management plans that appeal to broader swaths of advisory professionals.

When it comes to the investment asset management portion of variable annuity products, financial advisors do not want to feel like they are not doing their jobs, Gary Bhojwani, president and chief executive officer of Allianz Life Insurance Co. of North America said during the keynote session. Most financial advisors who sell variable annuities do so off of commission-based business models. The industry will have to figure out compensation structures that appeal to fee-based advisors, Bhojwani added.

As for the public, it might help the industry to try changing some of the language around the products, as allowed by regulators. Equating variable annuities to pensions, for instance, might go over better with the public than the term ‘variable annuities’.

The good news, say industry professionals, is that advisors seem to have incentive from actual investors to explore annuities.

Very few consumers say they believe variable annuities are too expensive or complex, according to findings from a recent study conducted by Cogent Research and the IRI. Further, of the half of investors who have not thought about variable annuities have not had it presented to them, said Cathy Weatherford, president and chief executive officer of the Insured Retirement Institute.

The stakes are high and growing, both for the annuity industry and for American investors, according to Bruce Ferris, executive vice president of sales and distribution for Prudential Financial. For the last nine years, from the second quarter of 2002 to the second quarter of 2011, variable annuity sales closely shadowed the direction of the S&P 500, according to Ferris.

“That is an unacceptable outcome for our future growth,” Ferris said. “We provide solutions that protect investments on the downside, capture positive market momentum, and helps clients set aside their fears and emotions about the markets and make rational decisions about their future.”

The IRI’s “Boom Time” conference is the organization’s 20th anniversary conference. More than 500 attendees came to Boston for the event, making it the best attended.