



Three Annuity Insights

REVISED AND UPDATED JUNE 2017

Zeldis Learning Center

Zeldis Research Associates
1230 Parkway Avenue, Suite 311
Ewing, NJ 08628
Phone: 609-737-7223
www.ZeldisResearch.com

RESEARCH BRIEF

© 2017 Zeldis Research Associates All rights reserved.

01**We have noticed a trend of increasing interest in consumer insights toward annuities.**

It is still true, for the most part, that when you ask consumers what they think about annuities, you either hear a vague negative perception (e.g., "Suze Orman says they're no good") or you hear silence.

Most consumers can't tell you what an annuity is, what it does, or what the potential advantages and disadvantages are. However, many annuity providers are now seeking ways to leverage this lack of consumer engagement, which may increase consumer awareness of annuities over time.

Research Implication:

Finding the correct type of consumer for an annuity study, whether qualitative or quantitative in nature, requires deep understanding of the annuity marketplace. The target market for annuities tends to be older and, more affluent, who are likely to work with an advisor or another type of financial professional, and are moderate to conservative in terms of risk tolerance. Research should ideally be focused on this demographic, except for in rare circumstances (e.g., testing annuity concepts or products designed to play outside traditional markets).

Yet even with a well-considered target audience, getting respondents who say "I don't know" isn't enough from a research perspective. Targeting individuals who take a more active role in investment decisions in partnership with an advisor helps lead to greater insights, as does an open-ended question screening owners to describe their annuities or why they bought it.

Also, a carefully designed research instrument should allow annuity research to be more productive. Exploring areas/causes of misinformation among consumers and diving deeply into avenues of communication may be fruitful in the future. We at Zeldis envision a future where D2C annuity advertisements are as common as D2C advertisements in other insurance and investment areas.

02

Quantitative research with consumers on the topic of annuities is becoming more common, leading to an evolution in our position regarding this type of research.

There are serious concerns, which we discussed in our previous white paper on annuities, surrounding online surveys with consumers about these products. As no moderator is present, confusion cannot be easily corrected. This, coupled with low consumer awareness of annuities, had led us to recommend against online surveys with this audience in the past. However, new learnings and observations mean online surveys with this audience are feasible and can be fruitful, with caveats and limitations.

Research Implication:



Providers must understand these caveats and limitations and work carefully (with or without a research vendor) to design online surveys which can work around these issues. For example, consumers cannot be expected to know whether they own a fixed annuity, variable annuity, or indexed annuity. (They may not even know they own an annuity!)

Additionally, several types of questions which are common in online surveys, such as tradeoff or point allocation exercises, may be difficult to conduct with consumers. Even consumers who report owning an annuity often have difficulty understanding the different trade-offs inherent in these products. When these types of questions are desired, they should be used with caution. Specifically, the language used should be carefully selected to avoid confusion and be as high-level as possible. We recommend, where feasible, conducting a small qualitative phase prior to an online survey, in order to vet the language and descriptions. If this isn't feasible, showing survey drafts to non-product experts in advance of project launch could also help sense-check that language is appropriate for this audience.

Deeper questions surrounding annuities, such as market sizing or target client simulation, continue to be better understood with advisors, vs. consumers.

03

Though annuity sales have declined slightly over the last 18 months, there are still ample reasons to consider research on annuities in this complex and rapidly changing marketplace.

Concerns about the potential for further DOL regulation appear less likely with the new Presidential administration, but it is still unclear what impacts the existing DOL rule will have on annuity sales. (Full implementation begins on January 1, 2018, unless there are further delays.) A substantial shift to new and different types of annuities remains possible if the rule comes to fruition, significantly altering the landscape for annuities and other products offered by insurance carriers

Research Implication:



Given the complexity surrounding annuities at the present time, a small investment in research (either with advisors and/or with consumers) can provide valuable learnings that can help providers stay ahead of the curve.

From our perspective, the annuity marketplace appears to be nearing an inflection point, and many providers are becoming increasingly nimble and versatile in their consideration of annuity research.

We continue to believe a good place to start is with a relatively modest investment in qualitative research (a small number of in-depth interviews or groups). That can help determine, at least initially, whether an idea has enough traction to be followed with a more quantitative assessment of market potential. Quantitative research may then be necessary in order to measure specific items of interest (e.g., appeal, target client, market sizing, etc.).