

Life distribution effectiveness varies: Conning

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Of the 50 largest life insurance and annuity companies, relatively effective distribution systems are likely in the minority, according to a new study by Conning Research and Consulting, Inc.

The Conning Research study, "Life Distribution: Getting a \$50 Billion Gorilla to Sing," compares the relative effectiveness of the top 50 life companies, and identifies the most, and the least, important factors that drive effectiveness. Conning found that only three of the 10 highest-scoring companies are publicly traded; however, all 10 of the worst-scoring companies are publicly traded.

"The role of distribution to a life insurance company is critical, accounting for \$50 billion in aggregate industry expenditure related to commissions, field and home office expenses," said David Montgomery, vice president at Conning.

"The allocation of distribution resources has shifted markedly over the past decade, increasing the complexity associated with managing a multi-product, multi-channel distribution system thus making it harder to attain a sufficient return on a company's distribution investment."

Virtually all companies studied manage the key effectiveness drivers, such as lapse rates and producer productivity, but the most successful companies are better able to define their market and financial goals, then create the integrated customer, channel, product, and operational strategies required to attain them.

"Our study challenges a number of conventional wisdoms regarding improving effectiveness and the future distribution landscape," said Montgomery. "For instance, obtaining and retaining a book of business at a cost that is acceptable to a company's objectives-something several leading mutual companies consistently demonstrate-is more important than premium growth alone; nonetheless, we often found companies overly focused on the latter. Also contrary to prevailing opinion, we found little evidence that a firm's franchise value is dependent upon the number of channels the company distributes through or the number of products it sells." □