# Product Development News

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*A long time ago, in a company far, far away…*

Kind of cliché, but in this case it is an appropriate analogy. As the final episode of the Star Wars saga is now playing across the country, many people are reflecting on the good and evil conflict that exists in many aspects of life. Actuaries for decades have traditionally had natural conflict with sales and marketing departments. Our training as actuaries has positioned us as uniquely aware of all aspects of traditional insurance, and as such we believe we know how things should work in sales.

When we meet individual sales professionals, we figure they are out for the wrong aspects of our world. Our intentions are pure and good, not unlike those of the Jedi knights. Thus those on the other side, the "Dark Side," must be evil. We must do as Yoda says: "Look inside yourself, you will know what is right."

If an actuary is turned to sales and marketing (or the "dark side"), we say a silent prayer for them and hope that they see the light some day. This conflict between good and evil, actuarial and sales, can sometimes lead to angst and anguish for many of us. One of our own "Jedi's," Jon Davis, was conflicted a few years ago and decided to join the "dark side." Is this a bad thing, or is there hope for young Mr. Davis?

I had the opportunity recently to speak to Jon on two separate occasions and it appears that many of us could learn a great deal from those who have made the bold leap to "go where no actuary has gone before" (sorry for mixing my sci-fi analogies).

Jon started his career as an actuarial student working for an insurance company. He soon learned that product development was his forte. "I enjoyed working with all aspects of the company to lead the efforts to build profitable products that our agents would sell," he recalled.

Sounds like a good actuary, right? He eventually found himself at Conseco, where I work. He rode the wave during the high-flying 1990s, grew to take on bigger and larger areas of responsibility, and continued to learn more as he went along. "Many aspects of what we learn as actuaries can serve us very well in meeting customers' needs," Jon observed. "We know how to design products that are good for the customer, agent and company.

After having a number of different job responsibilities (12 job titles over 10 years), he found himself wondering what he should do next with his career. After considering a number of alternatives he decided to truly take a chance and join an independent marketing company.

Being a good actuary, he weighed the risks involved with this decision and the ultimate rewards. In Jon's case, the risk was not totally unknown. His family has an insurance agency and his desire to take a break from the corporate world was just what his brother needed to convince him to join the family business. But would Jon be able to maintain the strong qualities he learned during his Jedi training to not be seduced by the dark side? His entrepreneual spirit caused him to desire independence and the ability to make his own success. "The lack of security with traditional employers today made this decision a little easier," he income products. The approach used to reflect the change in the index in the payment amount is not dependent on the frequency of reflecting the change. If there is no gain in the index, the base payment is not adjusted. This is the downside protection offered by the contract. Any index growth in the contract could be:

a) Amortized over the remaining benefit period using then-current interest rates, or
b) Amortized over the next year or the frequency of reflecting the gain in the payment.

The former approach increases all future payments by the same dollar amount. If the gain is not amortized over the remaining benefit period, there is a risk that payments could decline. Similar to variable income payments, frequent ups and downs in the payment amount could be unsettling for payees.

One of the perceived barriers of income products, in general, is the lack of liquidity. Some level of liquidity should be considered for EIIAs to improve their appeal to agents and policy owners.

In theory, compensation for EIIA products should be higher than that paid on SPIAs. The product is somewhat more complicated than a fixed payout annuity. Ongoing service may be required to explain the changes in the payout amount.

Carriers have been trying for years to ignite the payout annuity market, and the market seems ripe for this opportunity with the current focus on retirement income. Perhaps equity indexed immediate annuities will be the spark needed to start the momentum. ☐

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Does an actuary truly need to give up his or her Jedi Knight training received from the SOA to join the "dark side" of sales? The answer is clearly no, as Jon Davis has shown. His business today is growing. Success is truly occurring for this entrepreneur.

But did Jon truly go to the dark side? I think not. We can all learn a great deal from someone like Jon who can help us see there are many aspects of the business we don't truly understand. Listening to the customer, making things simple, adding value, and doing things right, these are all the attributes that we as actuaries seek to follow. Jon Davis is showing that working in sales and marketing is not at all evil. On the contrary, it is a very noble endeavor. We should all spend a day in the life of an agent; we could learn some very invaluable lessons. And we can become even stronger Jedis.

May the Force (of mortality?) be with us all. The Force is truly with Jon Davis. ☐