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# Delphi Study in Real Time—Life and Annuity Products and Product Development

By Paula Hodges

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- Presenter: Albert Abalo (Oliver Wyman)
- Presenter: Ben Wolzenski (Actuarial Innovations)

Session 86 at the 2013 Life & Annuity Symposium utilized the Delphi method to develop several predictions about developments in the life and annuity market over the next seven years. For those not familiar with the Delphi method, it is a process whereby a facilitator collects information from a group of experts on a particular subject matter. After collecting a first round of opinions, the facilitators share the aggregated results with the group. At that time, the group continues to participate anonymously, but with the benefit of the opinions, and sometimes commentary, from the other experts. Another round of polling takes place, and this continues until the results are stabilized.

This method has proven to be very predictive. In this session, the audience was utilized as the experts, and here are a few of the predictions made:

By the year 2020, U.S. and Canadian bond yields will be between 3 percent and 5 percent, but will remain relatively unchanged for the next three to five years. As this will challenge the spreads that insurance companies require, the burden will be passed along to consumers (higher prices), agents (lower commission), employees (lower wages and layoffs), and the company itself (lower profits). The group felt that a reasonable internal rate of return (IRR) expectation in this environment is less than 10 percent.



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Life insurance products that will take off in the next few years are expected to be whole life and indexed universal life, while the indexed annuities will see the largest amount of growth in the annuity space.

With the aging of the current field force, alternative avenues will be sought by both consumers and insurance carriers. Therefore, marketing of life and annuity products is expected to shift to financial advisors for annuity sales and to the Internet for life products.

Not surprisingly, the biggest issues facing insurers over the next seven years are expected to be the low interest rate environment and the shifting demographics, impacting both the distribution force and the insured population.

This was a very interesting session, showing how additional information and the anonymity of the experts influenced changes in the ultimate consensus of the group. I look forward to the year 2020 when we can validate the opinions of the experts that were in the room for this enjoyable session. ▼