

Harnessing the Opportunities with Big Data to Grow Annuities

A Version of This Article Was
Posted on WealthManagement.com
March 3, 2016

By Barbara Smith, Vice President and Solutions Manager responsible for the annuity and insurance solution at Pershing LLC, a BNY Mellon company

Big data can be the catalyst for a surge in annuity business for broker-dealers. But will firms seize the opportunity?

“Big data is one of those catch phrases I’m sick of hearing,” the CEO of a broker-dealer recently remarked. “The problem isn’t big data itself; it’s the difficulty with getting at it. The information is there. The industry simply has to do a better job extracting and applying it.”

Few areas illustrate the opportunity better than annuities and, specifically, the opportunity managing big data related to annuities affords the broker-dealer channel. In 2015, for example, sales of all types of fixed annuities increased significantly, with fixed indexed annuities leading the way.

Record annuity sales

“Sales of fixed indexed annuities in the third quarter of 2015 recorded their best quarter of all time, totaling \$14.4 billion,” the Insured Retirement Institute (IRI) recently reported, citing data compiled by Beacon Research. “This was a 14.5 percent increase from second-quarter sales of \$12.6 billion, and a 23.3 percent increase from \$11.7 billion in sales in the third quarter of 2014.”

Part of the reason is the annuity saturation of traditional insurance distribution channels. With little room for further growth, annuities are moving from insurance agents exclusively to other distribution channels, and independent broker-dealers are taking the lead.

Annuities are moving from insurance agents exclusively to other distribution channels, and independent broker-dealers are taking the lead.

So how do firms use the opportunity of big data to exploit this growth even further? As usual, it’s about getting the right technology.

Where to begin

The right technology begins with an automated order-entry annuity platform. This helps broker-dealers manage existing annuity positions, which can run in the tens of thousands and change frequently. Automated annuity platforms can also help ensure that compliance and suitability standards are upheld during the initial sales process to reduce not-in-good-order rates (NIGO) and shorten processing time.

Audits are a major source of stress for broker-dealer firms. Having and demonstrating a culture of compliance is increasingly important in the current regulatory environment and it will be even more important with the proposed Department of Labor fiduciary ruling. The quick and easy retrieval of annuity sales information upon request does much to smooth an inspection. By retrieving the annuity blotter for a specified time period, broker-dealers can oversee upcoming surrender dates to watch for excessive insurance exchange business. They can also monitor sales concentrations among carriers.

Predictive analytics

The last component involves predictive analytics, which combines big data with proven statistical methods that better forecast future demand than the anecdotal, intuitive or limited scope practice commonly used. With insurance and annuity products, it can be as simple as a database search of age and income to target a particular geographic

For professional use only. Not for distribution to the public.

market. Or there is the more complex task of discovering patterns found in historical and transactional data to identify risks and opportunities. Outdated spreadsheets are being dropped for the more user-friendly, efficient, commercially available, data-mining technologies available today.

Once used exclusively by insurance actuaries to predict mortality and set pricing, the use of big data now helps sales and marketing functions. This is another reason broker-dealers are such a suitable fit for the new annuity technologies. Top data management systems, such as the Annuity Analytics Dashboard—made available by Pershing and developed and powered by Albridge Analytics—offer these sales management capabilities for broker-dealer firms:

- › **Consolidation:** Facilitating the management of large amounts of firm-specific data providing oversight of annuity sales, operations and compliance with easy access to exportable reports.
- › **Flexibility:** Sorting by in-force contracts as well as current orders coming through the order entry platform with transaction and position data available.
- › **Customization:** Reporting daily, monthly, quarterly or yearly.
- › **Accessibility:** Providing easy access to requested data and key documentation to assist with compliance oversight tasks or to respond to FINRA suitability reporting requirements.

Once used exclusively by insurance actuaries to predict mortality and set pricing, the use of big data now helps sales and marketing functions.

According to Dennis Kelleher, Head of Business Solutions for Albridge Analytics, “Technology tools like the Annuity Analytics Dashboard provide management with a clear, timely picture of current annuity business within the firm. The dashboard also provides intelligence on product and carrier trends to better forecast where the business is headed so broker-dealers can determine how best to take advantage of opportunities ahead and manage risk.”

Big data provides big opportunities

Simply put, managing annuity sales data within the firm can lead to big opportunities with annuity and insurance products. New technologies can help make this business easier to manage, more compliance friendly and profitable for the broker-dealer.

¹ “The Big Data Need in Life & Annuity.” Cebglobal.com. Sept. 3, 2013.

² “Top Trends in Insurance Analytics.” TDWI.org. Feb. 26, 2013.

About the author



Barbara Smith is a vice president and solutions manager for Pershing LLC, a BNY Mellon company. Ms. Smith is responsible for the annuity and insurance solution which is part of Pershing Financial Solutions.

©2016 Pershing LLC. Pershing LLC, member FINRA, NYSE, SIPC, is a wholly owned subsidiary of the Bank of New York Mellon Corporation (BNY Mellon). Trademark(s) belong to their respective owners.

Albridge Solutions, Inc. is an affiliate of Pershing LLC, member FINRA, NYSE, SIPC, a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). Trademark(s) belong to their respective owners. For professional use only. Not for distribution to the public. The information contained herein, including any attachments, is proprietary to, and constitutes confidential information of Albridge Solutions Inc. It may not be reproduced, retransmitted or redistributed in any manner without the express written consent of Albridge.



One Pershing Plaza, Jersey City, NJ 07399

FS-PER-ABA-BS-3-16