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## VA Providers Slow to Push E-Delivery: Survey

by Peter Ortiz

Variable annuity providers are missing a cost savings opportunity by not aggressively steering their investors to electronic delivery of prospectus and disclosure documents, according to a new online survey.

The NewRiver report is the result of a survey of 500 consumers who own a variable annuity or variable universal life policy. According to the survey results, these investors were failing to utilize electronic delivery, largely because of their providers. Nearly half of all respondents, or 47%, indicated that they were either not offered an e-delivery option, were unaware or not likely to have been offered e-delivery. And of the 53% of respondents who did remember being offered e-delivery, 27% said their provider had done a poor job of making them aware of this option, the survey found. Another 25% characterized their providers' efforts in this area as only fair.

"I think one of the issues is [providers] actually need to encourage the broker and advisor to some extent and they need to make it easier for the investor to sign up," says Len Driscoll, chief client officer for NewRiver.

To be fair, 17% of those surveyed praised their providers for doing an excellent job of notifying them about e-delivery, followed by 31% who called it very good. But missed opportunities abound. Of those consumers not offered an e-delivery option, 20% said they were very interested and 37% said they were somewhat interested.

Annuity providers may not be entirely to blame, however. Cathy Weatherford, CEO and president of the Insured Retirement Institute, formerly known as NAVA, says insurance companies will likely be hesitant to promote e-delivery until regulators endorse a summary prospectus for variable annuities. Annuities are highly regulated and generate many paper documents, so firms want to make sure they are fully compliant if they move away from this delivery system, she says.

Until then, VA contract holders will remain a ripe market for e-delivery. The survey found that 56% of total respondents were very comfortable using computers in managing their finances, while 35% said they were somewhat comfortable. Survey participants held VA products from numerous firms, including Prudential, MetLife, Ameriprise Financial, Fidelity Investments, TIAA-Cref, Hartford Life Insurance, AIG and Axa Financial.

Still, there are challenges to getting consumers to adopt e-delivery. That includes customers' reluctance to read disclosure material online rather than in hard copy. In fact, 26% of the survey's respondents said this reluctance affects them to a great extent and 33% said to some extent. This should ease with an increasing number of three- to four-page mutual fund summary prospectuses that are now part of variable annuity contracts, Driscoll says.

"I think the summary prospectus is a big boost to make online documents friendlier because they provide that information in a concise, easier-to-read format," he says.

IRI has been working on a summary prospectus prototype for variable annuities and has been in consultation with the Securities and Exchange Commission, where agency officials have endorsed the idea.

“I believe that when the SEC moves with an adoption of a summary prospectus then you will see rapid deployment by insurance companies,” Weatherford says.

And by having a regulatory structure for summary prospectuses, variable annuity providers are likely to emulate brokers who have increasingly encouraged their mutual fund customers to use e-delivery, Driscoll says. What is clear, though, is that there is no lack of interest from investors, he says.

VA providers are missing an opportunity “not because people don’t want it, but because they are not being asked [aggressively] by the providers,” Driscoll says.

Weatherford also endorses e-delivery as a big cost saver for VA providers that is also appealing to clients, many of whom don’t read the paper documents and see them as environmentally wasteful. Thirty-five percent of survey participants said they favored e-delivery to conserve paper.

Among those touting e-delivery is Abigail P. Johnson, vice chairman and president of personal and workplace investing at Fidelity. She recently cited her own firm’s savings via e-delivery at a conference and noted that it suppressed about one third of customer statements, confirmations and Fidelity fund documents last year.

“This year we will suppress over 150 million pieces of paper across all document types, which equates to over 100 acres of forest,” Johnson said. “Unfortunately, we still send out about 275 million pieces of paper and this will continue without substantial changes to the e-delivery practices across the industry.”

NewRiver survey participants were 45 or older with household investable assets of at least \$50,000. The survey was conducted between Jan. 4 and 6 by Mathew Greenwald & Associates, with NewRiver’s sponsorship not revealed to participants.

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