

## American Skandia

Walk Into the Fire

### Background

American Skandia, a subsidiary of a large European insurance company, entered the U.S. market with a single product, a variable annuity. Sold largely through commissioned brokers, this highly complex, tax advantaged investment vehicle is essentially a mutual fund with a life insurance wrapper. It is the only tax-deferred retirement savings/investment vehicle available to individuals who have maxed out on their qualified plan contributions.

Because of the product's complexity, it usually requires a financial advisor's guidance to purchase it. Therefore, brokers who sell variable annuities are compensated via commissions from the policy issuer.

Skandia entered the U.S. market at a time when variable annuity sales were growing rapidly via several domestic insurers. With the soil fertile, the company's goal was to sign selling agreements with as many brokerages, banking, and planning firms as possible and capture a share of this growing market.

### Challenges and Opportunity

Many personal finance columnists and widely read bloggers had already vilified the variable annuity as a "rip-off." As opposed to "no-load" mutual funds, the commissions on variable annuities were high. So when these products came up in the media conversation, a familiar line was that unscrupulous brokers and planners were selling them to consumers who did not fully understand what they were buying.

Though the market was growing, established players felt so beleaguered by bad press that at the time of Skandia's arrival on the scene almost no one was willing to talk to the business media anymore. On the face of it, the media seemed a risky vehicle for helping American Skandia reach its goals.



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## **Due Dilligence**

After discussing the issue in detail with the company, with brokers who sold Skandia's products, and on background with reporters, KPR discovered three crucial facts:

- 1) Brokers understood the correct use of the product and its place in a diversified portfolio, even if reporters did not.
- 2) It simply did not matter what the media thought of variable annuities. Financial advisors have the hard-earned trust of their clients, and variable annuity sales were growing even in the face of negative publicity.
- 3) Responsible reporters, though unlikely to become sudden fans of the product, actually wanted to understand it better.

KPR reached the essential insight that because all the publicity on variable annuities was bad, and because brokers who sold the product understood this to be the failing of the media, the harm of appearing in such stories was negligible. In fact, American Skandia had a great opportunity to raise its visibility simply by showing up among companies important enough to be mentioned, even in a negative light.

It takes an extremely savvy client to understand when and how to walk into the fire, even with good guidance and support. Fortunately, Skandia had just such a person in CEO Wade Dokken, who, among other things, had once run a hotly contested election for state office. He could handle himself in any situation.

## **Strategy and Tactics**

Armed with a spokesperson in whom we had the utmost confidence, KPR targeted two publications that had written some of the harshest coverage of variable annuities: Forbes and The Wall Street Journal. Both these bellwethers of the financial media had recently rotated new reporters into positions covering annuities. We took a chance that these media members did not share the cynical mentality of their predecessors on this issue.

Dokken in each case opened the interviews with frank off-the-record comments about abuses in the industry and practices that would have to change, always finishing on the record about how Skandia hoped to lead some of those changes. It hit like a thunderbolt for these reporters, who felt they saw a new angle on the story of "load" funds like annuities.

## **Results**

The new annuities columnist for The Wall Street Journal devoted an entire column to a profile of America Skandia. This story's impact rippled out from the Journal to your-money columnists at smaller publications to personal finance bloggers, all the way out to social media and back. While we still expected, and occasionally received negative coverage of variable annuities, Skandia had established itself as a major presence in the American market in an incredibly brief amount of time.