A Chat with Nationwide's Eric Henderson

By Editor Test *Wed, Apr 24, 2013*

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Eric Henderson, Nationwide Financial's senior vice president of Individual Products and Solutions, spoke with RIJ for a few minutes last week during the Retirement Industry Conference in New Orleans, which was sponsored by LIMRA, LOMA and the Society of Actuaries.

In terms of variable annuity sales, Nationwide finished 2012 in 11th place with $4.22 billion in premia. Its top-selling contract was the recently introduced Destination B 2.0, with $563 million in sales. In 2011, Nationwide finished 6th in sales, at $7.4 billion. Nationwide's VA assets were worth $47.84 billion at the end of 2012, the 13th largest amount.

We asked Henderson what the retirement industry can expect to see from Nationwide over the next several months.

Henderson: Over the longer-term, we're thinking about bridging the life insurance–annuity divide. We have an opportunity to do that because of our new management structure [which combines the life and annuity businesses].

With life insurance, people are accustomed to thinking in terms of lump sums. But when you think about it, life insurance is income. In that sense, it's like an annuity. Life insurance provides income on death, and annuities provide income on retirement. We're trying to innovate around the concept of combining the two and creating a single product.

RIJ: I see. People would have one product over the life cycle, so there would be continuity of business for the insurance company and less fragmentation for the client in the way he buys insurance over the life cycle. What's happening with your variable annuities… you had a big net outflow last year .

Henderson: We've tried to be prudent in the variable annuity space. We were one of the first to pull back [on benefits] when interest rates dropped. We aligned our benefits with the rate environment. Others tried to ride it out [without de-risking their products immediately] and took some losses. We did experience a loss of market share in 2012 and had negative flows, but in the first quarter of 2013 we've seen positive flows. In terms of reducing benefits, the competition has finally caught up with us.

RIJ: Where's your approach to the VA market going forward?

Henderson: We're still bullish on the variable annuity with a living benefit. But as we pulled back on our living benefit, we began to sell a lot of variable annuities without it. We're getting the tax deferral message going. Our alternatives-focused variable annuity is also selling well. So we're more diversified in our VA offering than we were a few years ago. The ratio is now about 50/50 or 60/40 between contracts with a

GLWB and those without.

RIJ: Several companies have introduced a deferred income annuity. Is Nationwide planning to launch one?

Henderson: We're working on a deferred income annuity but we don't have one yet. We've been updating our IT systems, and we saw no sense in launching a new product on the older system. But we've also moved up to the number three position in sales of immediate annuities. We've grown faster than the industry in that respect. We're selling it as a complement to the VA: you put a portion of your money in each.

RIJ: How do you account for your success with immediate annuities?

Henderson: We've had a lot of success with Retire*Sense* [Nationwide's time-segmentation planning tool for retirement income]. People have a lot of concerns about loss of control with annuities. We're trying to tell people that the annuity gives you more control. We want people to re-think what they mean by control.

RIJ: Have you seen any tangible benefits from Nationwide's decision to privatize?

Henderson: We're focusing on the benefits of being a 'new mutual.' We think this [ownership structure] gives us the best of both worlds. As a public company we learned how to be smart about expenses and earnings. As a private company, we can pay more attention to the economics than we could under GAAP accounting rules, and we worry less about short-term earnings volatility.

RIJ: Thank you, Eric.