
A New Path to Inflation-Resistant Income

By Kerry Pechter Thu, Sep 16, 2021

Achaean Financial's novel hybrid design for a lifetime income annuity is being brought to market by National Western Life. We spoke with Achaean founder Lorry Stensrud and NWL's Chad Tope. (Photo: Death mask of Agamemnon, leader of the Achaean army in the Iliad.)



[Achaean Financial](#) and National Western Life Insurance are finally bringing to market Lorry Stensrud's long-nurtured idea for an immediate income annuity with upside potential. RIJ recently obtained a copy of the state filing document from National Western. State approvals are pending.

The product's working title has been simply Income Plus+ (IP+), but that could change when National Western brands it. Like a single premium immediate annuity (SPIA), it can provide retirees with monthly income for life. The client can surrender it, however; and it has a death benefit. Like an indexed annuity, it uses options on an equity index (the S&P MARC 5) to create income growth.



Chad Tope

"Customers give us money and we give them a guaranteed income stream immediately. We also take a small portion of their money and buy a three-year option on an equity index," said Chad Tope, chief marketing officer at National Western Life and a veteran of annuity distribution at Voya.

"The performance of the option account will determine if their payments increase. If there's

growth at the end of three years, the income steps up by the change in the Consumer Price Index. But the payments can't go down," he told *RIJ* in an interview.

"We have the ability to change the mindset of how advisors think about longevity and mortality based offerings, and to give them an alternative to a 60/40 portfolio with bonds paying in the 2% to 2.5% range. A 20% portfolio allocation to IP+ can provide guaranteed lifetime income, take stress off the equity portfolio, and potentially reduce withdrawals from the equity portfolio," Stensrud told *RIJ* in an email.



Lorry Stensrud

According to the hypothetical example on the filing document, a 65-year-old male who purchased IP+ with a \$100,000 premium would receive at least \$1,097 per quarter or \$4,388 per year for life. Payments are designed to start low and rise with credits from the options on the index.

The S&P MARC 5 Index is a multi-asset index diversified into the S&P 500 Index (without dividends), the S&P GSCI Gold Index and the S&P US 10-Year Treasury Note Futures Index. It seeks a volatility level of 5%. It overweights equities when volatility is low and overweights bonds when volatility is high. The index was created in March 2017.



Ross Moody

National Western Life is a stock company incorporated in Colorado with headquarters in Austin, Texas. It is closely held by the Moody family. Its president and CEO is Ross Moody. According to its latest [10-Q filing](#), it has about \$14.5 billion in assets and \$11.9 billion in liabilities. The company is rated A by AM Best and A- by Standard & Poor's. According to publicly available sources, it was founded in 1956, and as of 2019 had about 275 employees and 25,200 contracted independent agents and operates in 49 US states.

The company reported \$118 million in sales in the quarter ending June 30, 2021. Of that, about \$114 million involved fixed indexed annuity contracts. Like other insurers, the company has used reinsurance to relieve capital pressures and in recent years has invested more in bonds rated BBB-, according to the 10-Q.

The IP+ annuity was successfully piloted last year by advisers using the [JourneyGuide](#) retirement planning program, which is part-owned by Tim Ash of Ash Brokerage.

Tope said that IP+ will mainly be distributed through advisers at banks and broker-dealers. "The product is intended for advisers who do retirement income planning," he told *RIJ*. "It's not meant for single sales. It's got to be part of a planning process."

Stensrud sees room for IP+ in the "1035 exchange" market. He thinks a lot of existing variable annuity owners and their advisers will see logic in exchanging their VAs for IP+, which he thinks will be seen as superior in cost and upside potential to a VA with a guaranteed lifetime withdrawal benefit (VA/GLWB). "This solves the suitability and 'best interest' issues associated with exchanges," he said.

"The 79% of advisers who are primarily fee-based find our indexed product attractive since it has a higher starting payment than bonds, no market risk and the highest probability of increasing income," Stensrud told *RIJ*. There will eventually be a no-commission version of the product for the fee-based market. "That being said," he added, "this is a new product and faces the training and education requirements necessary to build a market. Luckily, for Achaean we can use JourneyGuide's training and illustration tool."

Stensrud was CEO of annuity operations at Lincoln National Life, called Lincoln Retirement, during the development of Lincoln's i4Life rider, which was a guaranteed income benefit on a variable annuity. When Lincoln consolidated its life and annuity operations in 2003, Stensrud left to start his own company.

We wrote about Stensrud's IP+ idea in 2010, in 2012, 2016, and in 2020, as he searched for a life/annuity company to underwrite the product. Early on, he positioned it as way for them to relieve the pressure on their balance sheets from capital-intensive VAs with GLWBs.

Why did it take so long for Achaean to find a life insurer to underwrite IP+? "At first, life companies didn't want to hear our message because they were enamored with GMxB sales results and the associated 'arms race,'" Stensrud said. "Then, when dangers of these products were revealed and capital requirements increased, most of the same companies moved to survival mode and were not interested in new ideas."

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