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## Dept. of Ruffled Feathers

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By Editor Test      Wed, May 9, 2012

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In 1979, when Kelli Hueler was 20 years old, she spent part of her junior year of college backpacking in Asia. At one point, she found herself in the Khao-I-Deng refugee camp on Thailand's Cambodian border. A self-described naïve Midwestern kid, she began volunteering alongside Catholic Relief Service workers in a reception tent for women and children who had fled Pol Pot's killing fields.

"As an American, I had no concept of war or famine," she recalled this week. "I remember one day I heard a loud rumbling and said to one of the nuns, 'I think we're in for some rain,' or something like that. She said, 'Honey, that's not thunder.' That's how naïve I was."

Today, Hueler, the president of Hueler Companies in Eden Prairie, Minn., monitors a different kind of border with a different kind of refugee. Her Income Solutions single premium immediate annuity (SPIA) platform serves as a kind of waystation for people crossing from 401(k) plans into the new frontier of retirement. (See today's lead story in RIJ). Her humanitarian mission: to help Boomers get the best prices on income annuities.

Her attempts to fulfill that mission since 2003 has won her many allies in the retirement business but also some keen adversaries. Her goal has been to create an alternative annuity sales channel that eliminates many of the inefficiencies and informational asymmetries that characterize traditional annuity sales channels. She has tried to use the Internet to change the annuity industry in much the same way as sites like cars.com and autotrader.com have changed the auto business. But those in traditional channels—for whom inefficiencies and asymmetries are revenue-generating—don't necessarily welcome the competition.

In a phone interview this week, I suggested that she has "ruffled some feathers" in the process. A minister's daughter, surgeon's wife and mother of three sons, she was both surprised and not surprised to hear that.

"We would prefer to collaborate with everyone," she said carefully, referring to Income Solutions. "But we bring a message that challenges the status quo, and that doesn't put us in a popular position. If we've had strong detractors, it's because we're taking power away from the traditional delivery channels."

For example, when Hueler first went to the major annuity manufacturers and asked them to provide products to her platform at "institutional prices"—prices that did not have commissions already embedded in them—she didn't always get a warm reception. In fact, had she not already established street-cred as a vendor of stable-value fund data to the pension industry, she probably wouldn't have gotten an audience with insurance executives at all.

It undoubtedly surprises her prospects when they discover that they must meet her terms. When Hueler asks retirement plan sponsors to make Income Solutions available as a rollover option to their participants, she expects them to do much more than just provide shelf space. And, if anything, her expectations have risen over time. When she first courted plan sponsors, she accepted all comers, she told RIJ. She was grateful for any bit of buy-in she could get. But she discovered that some plan sponsors would set up a link to the platform without investing in the tools needed to support it. When she found that weak programs bled the credibility of her service, she decided to choose partners more carefully.

“We have pulled back from just implementing with whomever wants to link to us,” she told RIJ. “We’re limiting it to those who make the annuity a viable option for participants. When we first started, we were hopeful to have any good plan administrator offer our program. But now we’re having a dialog that’s very different. We’ve learned that this requires program partners who are engaged and who are going to allow for an objective presentation of annuities. If they have any kind of bias against the product, it stops everything.”

She takes the same attitude—call it chutzpah, Norwegian-style—with the advisor community. For the past year or two, Hueler has been investing in an advisor-facing portal on Income Solutions where fee-based or fee-only advisors can learn about income annuities and buy them for clients without encountering a commissioned transaction. Rather than expend resources (there are only a handful of phone reps at Hueler’s headquarters) on any advisor who finds her site on the web, however, she prefers to seek out advisors who share her sense of mission.

“We’re not handpicking advisors, but there’s no doubt that we’re looking for advisor organizations that are naturally inclined to think the way we do. It’s a bit of a shift from our original vision,” Hueler said.

If Hueler is making people uncomfortable, however, it’s not her exclusivity—which is really just a way of protecting the integrity of her business—that irritates. The more obvious reason is that she poses a new kind of competition that threatens to undermine the traditional structure of the annuity business. In some circles, that makes her as welcome as Jeff Bezos at a meeting of the Downtown Merchant’s Association.

And she has felt the backlash, in subtle ways. At the Income Solutions website, for instance, there’s language that clearly announces the fact that Income Solutions charges a 2% fee. Hueler put the language there in the interests of transparency and differentiation. Competitors, she said, have used that disclosure to make potential clients believe that she charges a fee but they don’t. (Commissions and fees, of course, are embedded in the payout amount of retail SPIAs and not quoted separately.)

It’s telling that, even though her fee disclosure gives ammunition to her rivals, Hueler let the language stand. She wouldn’t be maneuvered into relinquishing her commitment to transparency. “If you don’t have a value proposition, you won’t be successful, and our value proposition is clearly defined,” she said. “Our desire isn’t to ruffle feathers. It’s to do what’s in the interest of the public. And that makes some people uncomfortable.”