
DOL Rule Impacts Far More Than Advisors' Pay

By Kerry Pechter Sat, Oct 8, 2016

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Attorneys from three firms in the latter category—Vanguard, USAA and OneAmerica—shared war stories about how their companies have adapted to the DOL rule in a presentation to a standing-room-only crowd at LIMRA's annual conference in Chicago this week. The rule takes preliminary effect next April; full compliance is expected by the start of 2018.

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The DOL rule, the attorneys quickly made clear, poses much broader questions for firms than, "Will we be sued?" It has implications for—and will potentially require changes in—almost every part of any firm that builds and/or sells investment or insurance products or advisory services to IRA clients or qualified plan participants.

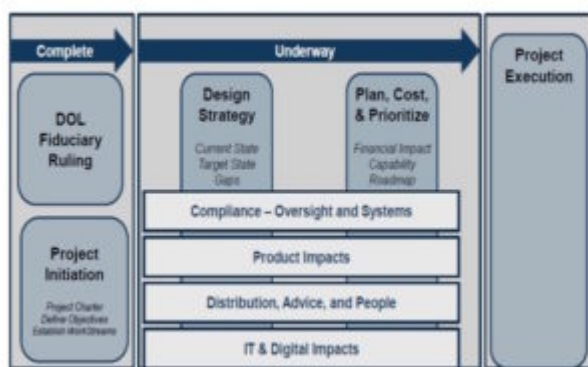
In requiring firms to comply, and to document their compliance, with a fiduciary standard when advising IRA or 401(k) clients, the rule has ramifications for operations (call center training programs, the configuration of IT systems), for product development and design, for wholesaling, and for distribution relationships. The rule demands new analyses of the relative costs, risks, and benefits of low-balance accounts, commissioned accounts and fee-based accounts.

"It's a Herculean task," said James Whetzel, general counsel at USAA. The scale and scope of the internal review that's occurring among companies that collectively manage trillions of dollars in retirement savings may be unprecedented. "It's a common statement we hear from clients—that they're examining the whole enterprise," said Jon W. Breyfogle, the Groom Law Group attorney who moderated the presentation. (Below right: a slide from the session.)

DOL rule triggers a re-think of the whole business

Foreseeing the implications of the DOL rule more than a year ago, OneAmerica hired consultant Oliver Wyman to evaluate its entire business. Based in Indianapolis, OneAmerica owns a life insurance company that sells products through a career force and through third-party insurance marketing organizations (IMOs). It also owns a broker-dealer, thus enabling its career force to sell investments as well as insurance products.

DOL Project Framework



“Oliver Wyman charted how our products fed into our distribution and examined how our IT would be impacted,” said Tom Zurek, OneAmerica’s general counsel and secretary. “We identified 50 different ‘work streams.’ It was a daunting process.” Systems that once ran separately or parallel must now be integrated. To establish a client’s “best interest,” more data must be gathered and assessed. The rule forced OneAmerica to reexamine its overall direction and goals as a business. “We decided that it was no longer acceptable for us to be all things to all people,” Zurek said.