Greetings from New Orleans

By Editor Test *Thu, Apr 18, 2013*

At the LIMRA-LOMA-SoA Retirement Industry Conference in the 'Big Easy' this morning, Bob Kerzner sprang the news that his organizations will sponsor a new retirement designation--for home office employees, not advisors or producers.

I'm "broadcasting" from sultry New Orleans, where the first full day of the 2013 LIMRA-LOMA-SOA Retirement Industry Conference got underway this morning.

In his opening remarks, LIMRA-LOMA president and CEO Robert Kerzner made a surprise announcement that the two organizations, which are traditionally identified with the life insurance sector, have decided to get more involved in the retirement sector.

One tangible step in that direction, he said, will be the introduction of a new retirement designation, to be offered by LIMRA and LOMA to home office employees of the organization's member companies. The first foundation course will be offered in the fall of 2013, and delivered over the web.

"We're aiming it at the people who work behind the scenes at banks, insurance companies and broker/dealers," Kerzner told RIJ.

The designation will not be aimed at advisors or producers, and will not compete with designations for advisors, such as those offered by the Retirement Industry Income Association (provider of the Retirement Management Analyst) and the American College (provider of the Retirement Income Certified Professional), Kerzner said.

The biggest problem facing the retirement industry is lack of savings by Americans, Kerzner said, and the main reason for lack of savings is "present-bias," which makes people favor immediate over deferred gratification.

Kerzner then introduced a panel of Eric Henderson of Nationwide, Charles Nelson of Great-West Financial, Stig O. Nybo of Transamerica Retirement Solutions, and Jay Wintrob of AIG Life and Retirement, and asked them to address questions about the industry's current dilemma.

What's the biggest problems facing the industry, and what are their solutions? Kerzner asked.

"*Outcomes* are the biggest challenge, said Nybo. "We have to tell people how much they have to save. We have this huge battle with consumerism. If we don't get this right, we'll see a lot more legislation, and that's not the solution."

"Identifying, training, supporting the next generation of advisors" is the best way to solve the retirement problem, said Wintrob.

"Retirement leakage is a huge problem," Nelson said. "The typical person will have seven jobs, and 40% of employees that terminate and go to a new job, cash out. We have to have the courage to address that issue." He praised Britain's NEST program, a national defined contribution plan, which permits no withdrawals during accumulation and encourages annuitization at retirement.

"No one has mentioned low interest rates, said Henderson. He added, "We have to get people to overcome their present-bias."

Regarding the difficulties in the variable annuity business in the wake of the financial crisis, Wintrob of AIG said that too many companies "gorged on sales without understanding the economics" of their products.

Henderson of Nationwide disagreed. "Even if everyone had judged the risks appropriately, the products' benefits would have been cut back because of the effect of falling interest rate on hedging costs," he said. Companies would also have eventually encountered capacity issues and been forced to cut back on sales, regardless of how well they had understood the risks, he said.

What should be done next? Kerzner asked.

"We have to tell people what they need to do," said Nybo. "We provide them with information. We know they don't read it. But we don't tell them what they *need to do*. We need to default them into defined contribution plans at the right contribution rates. We've got to get bold about it."

Kerzner asked the panelists what they thought about the entry of private equity firms into the insurance industry. Some people are worried about their low pricing, he said.

The panelists didn't see that as a bad development, since it added capacity to the indexed annuity business, brought attention to the value of the industry, and established higher expectations for profitability. Henderson said there was some concern about the risk-taking culture among private equity firms.

"Insurance is not a business where it's OK for a part of your business to fail, and in the hedge fund that might acceptable. That's a concern," he said.

What about interest rates? Kerzner asked.

That depends, the panelists agreed. "If rates spike, it would be bad for fixed annuities but good for no-lapse life insurance policies," Henderson said. The challenge is to "diversify your risk so that all the guarantees aren't responding the same way to changing rates."

"The first couple of hundred basis points [of rising rates] could be helpful to the insurance companies, not hurtful," said Nybo.

What's your biggest regulatory concern? Kerzner asked.

"The investment fiduciary regulations," said Nelson. "The DoL wants to limit the advisor from providing distribution or roll-over advice to participants. The government also sees a conflict of interest in one company providing both recordkeeping and investment services. Those two things concern me.”

We’ll have more on the LIMRA-LOMA-SoA conference next week.