Honorable Mention

By Kerry Pechter *Thu, Aug 12, 2021*

Ruark reports on VA/living benefit policyholder behavior; DPL and SS&C partner on new distribution platform; SIMON Markets doubles revenue, raises $100 million; Principal completes integration of Wells Fargo's retirement business; New training available for retirement plan fiduciaries.

Ruark reports on VA/living benefit policyholder behavior

Ruark Consulting, the actuarial firm that has tracks the impact of policyholder behavior on the value of the liabilities in the living benefits of variable annuities issued by US life/annuity companies, has just published a **white paper** assessing the predictions it made regarding that behavior a year ago.

In the white paper, Ruark concluded:

When we assessed the effects of the capital market environment on annuity policyholder behavior toward the end of 2020-Q1, markets had just suffered a major blow. The S&P 500 had fallen over 35%, as had commodity prices. The VIX, a measure of implied volatility on short-dated options, had spiked, and US interest rates had fallen to record lows.

Today, equity markets have rebounded and volatility has fallen. But a hangover effect of COVID-19 remains, as supply and labor shortages drive and inflation concerns, while interest rates have not materially recovered.

Notwithstanding a rebound in 2021-Q2 annuity sales, these hangover effects continue to pose challenges for annuity writers, as does continued uncertainty regarding government policy and the management of variant virus strains. Annuity writers may wish to defer decisions regarding how to best reflect 2020 experience in assumption-setting—but as the effects of the virus push into 2021, such decisions cannot be put off indefinitely.

In the case of VA and FIA products, which are not subject to individual underwriting, mortality has exhibited strong anti-selection effects. Historically, mortality has been lower among policyholders with a living benefit than among those without, for example. This would suggest potentially higher susceptibility to a health shock among policyholders with only a GMDB than among living benefit contracts.

One last question annuity writers need to consider is mortality improvement in 2021 and beyond. Was COVID-19 a once-in-a-century pandemic, or will ongoing variants and pandemic-related mortality spikes become a feature of the landscape? Were 2020 mortality increases on top of the long-term trend, or did they merely accelerate deaths among vulnerable populations? Answers these questions will continue to be speculative, but 2020 experience will surely inform them. We look forward to seeing the evidence upon completion of Ruark's 2021 VA mortality study this fall.

DPL and SS&C partner on new distribution platform

DPL Financial Partners (DPL), the turnkey insurance platform for registered investment advisors (RIAs), and SS&C Technologies Holdings, Inc. (Nasdaq: SSNC) have co-launched a new platform, called the "SS&C Advent Insurance Marketplace Powered by DPL."

RIAs can use this fintech solution to access and manage fee-only products through the Black Diamond Wealth Platform and DPL's proprietary Product Discovery Tools. Products include

annuities, life insurance, long-term personal care, and disability insurance. DPL's insurance consultants will provide product support.

DPL's partner insurance carriers with products on the new platform include who are making their products available through the Marketplace, including Allianz Life Insurance Company of North America, Great American Life, Security Benefit Life, and Midland National Life.

SIMON Markets doubles revenue, raises $100 million

SIMON Markets LLC, a platform where advisors can find structured products, annuities, and other alternative investments, reported year-over-year increases in revenue of +103%, volume of +137%, and usage of +74% in Q2 2021, as compared to Q2 2020.

"In Q2, we expanded our insurance platform to include variable annuities, formalized new partnerships with industry leaders Nationwide and FIG, created a portfolio analytics tool for structured investments, and announced our entry into the digital asset space," said Jason Broder, CEO of SIMON, in a release.

SIMON was spun out of Goldman Sachs in December 2018. Recent growth highlights include:

- Through WestCap, raising $100 million in Series B funding to fuel growth of digital wealth management platform
- SIMON now offers variable annuities, one of the most flexible and widely used annuity types, in its Marketplace, delivering powerful analytics for asset allocation and income

solutions (Press
- Financial Independence Group (FIG) joins SIMON to access structured Investments and insurance products
- Nationwide joins the SIMON platform to provide annuities

SIMON's platform now provides "on-demand education, an intuitive marketplace, real-time analytics, and lifecycle management" to more than 100,000 financial professionals managing some $5 trillion in client assets, the release said.

Principal completes integration of Wells Fargo's retirement business

Principal Financial Group, the retirement plan services and investment management company, recently completed the integration of the Wells Fargo Institutional Retirement business. Principal acquired the business in July 2019 to enhance its retirement and income capabilities, achieve greater scale and balance, and drive business growth.

Through the acquisition and new business wins, Principal currently serves over 10 million eligible participants and individual account holders representing more than $537 billion in total account value.1 Principal also added to and upgraded its retirement service offerings, furthering its market leadership positions in the full spectrum of retirement plans with Principal® Total Retirement Solutions and including top-tier investment, income and financial wellness offerings.

As a result of the acquisition Principal added 4.3 million eligible participants, approximately $150 billion dollars in account value and welcomed 1,500 new employees. The company onboarded clients in a series of structured waves through the end of June 2021, resulting in the successful integration of thousands of plan sponsors.

The integration of the Wells Fargo Institutional Retirement and Trust business along with strategic investment and initiatives has enhanced and expanded the retirement offerings Principal provides to both participants and plan sponsors.

In October of 2020 Principal started welcoming participants through Principal Real Start, a simplified and highly personalized onboarding experience available in both English and Spanish. This platform has helped increase savings rates for participants to an average of about 9 percent, and nearly 40 percent of participants are deferring 10 percent or more.2

Participants are also benefitting from a more robust financial wellness experience through award-winning online tools3 and resources backed by specialized teams of education professionals and contact center licensed financial professionals.4

For plan sponsors, enhancements include more robust plan sponsor reporting and participant engagement dashboards.

Sponsors also have access to new managed and self-directed brokerage account capabilities.

The retirement business expanded Principal® Total Retirement Solutions, which provides unmatched breadth, depth, and expertise for plan sponsors of all sizes and needs. These solutions include defined contribution plans, defined benefit plans, nonqualified deferred compensation plans, and stock plans including the recently added Principal® Equity Compensation Solutions.

Today, Principal Total Retirement Solutions helps thousands of employers manage multiple retirement plans.

After moving to Principal, customers now have access to top-tier, differentiated asset allocation and managed account alternatives from Principal, both in plans and for individual participants. Principal offers extensive choice across investment strategies and managers, including a full suite of actively managed and hybrid target-date funds that help meet customers' unique investment and retirement needs.

Principal continues to integrate the Wells Fargo Trust & Custody business from the acquisition, which will enhance and add new capabilities to Principal® Custody Solutions and increases assets under custody to over $1 trillion. The company plans for completion of the integration by March 2022.

New training available for retirement plan fiduciaries

The Center for Board Certified Fiduciaries (CBCF) introduces Fiduciary Oversight of Responsibilities and Tasks (FORT), "a new tool for professional and lay fiduciaries that clearly delineates the fiduciary responsibilities and tasks of a plan sponsor," according to a release this week.

There are 17.5 million lay fiduciaries in the US, men and women who have the legal responsibility for managing the assets of pension plans, foundations, endowments, health and welfare plans, and personal trusts. Three million lay fiduciaries manage $20 trillion dollars in retirement plans.

“These critical decision-makers generally come from outside the financial services industry; are often surprised to learn they are serving in a fiduciary capacity; and, have little, if any, training on what the law requires,” the release said.

“Lay fiduciaries don’t have to manage these assets by themselves – they can prudently select experts and delegate certain responsibilities. But often, there’s no bright-line between the fiduciary responsibilities lay fiduciaries retain, and the responsibilities that are contractually assumed by experts.”

The Board Certified Fiduciary (BCF) is a professional mark awarded by the Center for Board Certified Fiduciaries, (CBCF). The CBCF is a Public Benefit Corporation founded and funded by fiduciary advocates. The CBCF will be affiliating with a leading university to provide a graduate-level certificate in fiduciary leadership, stewardship, and governance. Over time, CBCF will develop the curricula for the first Master’s with a concentration in fiduciary responsibility.