Honorable Mention

By Editorial Staff *Tue, Oct 6, 2020*

SEC commissioners disagree over 'finders' exemption; New clients bring $148 billion to Fidelity in 2020; COVID-19 impact on long-term care insurance documented; Rate drought, bull market buffet private pensions: Milliman; Allianz Life enhances services for RIAs; NAIC picks Conning to provide data for calculating reserves.

SEC commissioners disagree over 'finders' exemption

Under a Securities and Exchange Administration (SEC) proposal announced this week, "finders" who help securities issuers raise capital from sophisticated, wealthy investors in private markets would be exempt from registering with the SEC as brokers. The proposal allows finders to receive "transaction-based compensation."

"If adopted, the proposed exemption would "permit natural persons to engage in certain limited activities involving accredited investors without registering with the Commission as brokers," an SEC **release** said. The proposal is intended to assist small companies to raise capital and to provide "regulatory clarity" to investors, issuers, and finders.

The proposal would create Tier I Finders and Tier II Finders, both subject to conditions tailored to the scope of their activities. The proposed exemption would establish clear lanes for both registered broker activity and limited activity by finders that would be exempt from registration.

Tier I Finders. A Tier I Finder would be limited to providing contact information of potential investors in connection with only a single capital raising transaction by a single issuer in a 12-month period. A Tier I Finder could not have any contact with a potential investor about the issuer.

Tier II Finders. A Tier II Finder could solicit investors on behalf of an issuer, but the solicitation-related activities would be limited to:

- Identifying, screening, and contacting potential investors;
- Distributing issuer offering materials to investors;
- Discussing issuer information included in any offering materials, provided that the Tier II Finder does not provide advice as to the valuation or advisability of the investment; and
- Arranging or participating in meetings with the issuer and investor

A dissent regarding this proposal was issued Wednesday by SEC Commissioner Caroline Crenshaw, who said in a statement that “expanding the scope of investor solicitation by unregistered and unsupervised agents in the private placement market is “particularly dangerous and ill-conceived.”

“Unlike registered broker-dealers, Finders would not be subject to periodic inspections or examinations, nor would they be required to maintain records of their activities or comply with basic broker-dealer requirements such as suitability or know your customer rules,” Crenshaw wrote. “[I]n an area of the securities markets that is already prone to fraud, the proposed approach would eliminate the important investor protections the established broker-dealer framework provides.”

New clients bring $148 billion to Fidelity in 2020

Fidelity Investments added more than $148 billion in assets from new workplace savings and company stock plan clients in 2020, the Boston-based mutual fund and retirement plan giant reported this week. Fidelity now serves 24,400 total workplace clients, 32.2 million participant accounts, and manages more than $2.5 trillion in client assets.

More than 1,200 new organizations, including Fortune 500 companies, tech start-ups, universities and nonprofits, joined Fidelity’s platform this year, where they can access investments, Health Savings Accounts, managed accounts, workplace giving programs, payroll solutions and student debt repayment programs.

New clients and assets for Fidelity’s workplace savings and company stock plans included:

Workplace savings plans. Fidelity’s defined contribution (DC) business, which includes 401(k) plans and 403(b) plans, added a record $115.5 billion in managed assets to its platform. The new business includes more than 1,000 new clients where Fidelity teams with a financial adviser to manage their plan. New 401(k) clients include the Cleveland Browns, the professional football team, and Walgreens, the drug store chain.

New clients added to Fidelity’s 403(b) platform, which experienced a record 200% growth in assets over 2019, include the Reform Pension Board, which provides clergy, professionals, educators, and other staff of Reform Movement congregations and other qualified organizations. In the higher education market, Fidelity added Indiana University, which has more than 110,000 students across seven campuses in Indiana.

Company stock plans. Fidelity’s Stock Plan Services business, which provides companies in both the U.S. and Europe with a range of equity compensation services for restricted stock plans, performance plans, stock options and employee stock purchase plans, added a record $33.1 billion in assets across 70 new clients. Clients who recently chose Fidelity include Dun & Bradstreet, a leading global provider of business data and analytics.

COVID-19 impact on long-term care insurance documented

Insure.com, an insurance information resource, recently assessed the coronavirus' effect on long-term care insurance. Researchers evaluated changes to the application and approval process as well as pricing.

For the entire report, read: ***How COVID-19 is affecting long-term care insurance***.

Long-term care insurance provides coverage for home care, assisted-living and/or nursing home expenses. Since COVID-19 emerged, the following changes have occurred:

- Many insurers temporarily restricted applications for coverage and required additional steps in their application process.
- Some insurers declined applications from people in their late 60s or older.
- Other insurers reduced the maximum age for benefits to as low as 65.
- Many insurers required applicants to wait 3 to 6 months after a negative COVID-19 test before applying for a policy.
- Long-term care insurers expedited younger applicants' applications, in some cases.
- Some insurers are charging between 5% to 50% more for coverage and are reducing spousal discounts by as much as half.
- Filing long-term care claims has become more complicated.

"With COVID-19 significantly impacting long-term care insurance, we caution consumers to review their coverage details before switching their care location," suggests Michelle Megna, editorial director for Insure.com. "It is similarly wise to check your daily or monthly benefits before proposing any change to your caregiver's schedule."

Insure.com shares resources that can help people locate new caregivers and offers advice on when and how to appeal claim denials.

Rate drought, bull market buffet private pensions: Milliman

Corporate pension asset values dropped in September for the first time in six months, and funded ratio dipped to 84.5%, according to the results of Milliman's latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

In September, corporate pensions experienced an investment loss of -0.74% (a $17 billion decline in asset values), marking the first time in six months that returns have not been above-average.

The monthly discount rate climbed slightly, from 2.54% at the end of August to 2.57% as of September 30, lowering pension liabilities by $9 billion for the month. As a result, the Milliman 100 PFI funded status declined by $8 billion during September, with the funded ratio dropping slightly to 84.5% from 85%.
"This was a dizzying few months for corporate pensions, with discount rates hitting historic lows while investment returns had equally noteworthy gains," said Zorast Wadia, author of the Milliman 100 PFI, in a release. "The result was a solid third quarter for the Milliman 100 plans, with the funded ratio improving from 83.5% at the end of June to 84.5% as of September 30."
Under an optimistic forecast with rising interest rates (reaching 2.72% by the end of 2020 and 3.32% by the end of 2021) and asset gains (10.5% annual returns), the funded ratio would climb to 88% by the end of 2020 and 103% by the end of 2021.

Under a pessimistic forecast (2.42% discount rate by the end of 2020 and 1.82% by the end of 2021 and 2.5% annual returns), the funded ratio would decline to 83% by the end of 2020 and 76% by the end of 2021.

Allianz Life enhances services for RIAs

Allianz Life of North America has launched Allianz Advisory Solutions, a suite of products and services built to help "enhance the risk management capabilities" of Registered Investment Advisors (RIAs), according to a release this week.

Allianz Advisory Solutions has three segments:

Risk Management Solutions: Allianz Life offers a growing suite of risk management strategies, including annuities, life insurance and AllianzIM Buffered Outcome ETFs.

Advanced Strategies and Planning: A new team of fintech and advanced planning strategists at Allianz Life will help RIAs deliver financial planning capabilities with software that addresses tax rules and new legislation, Social Security, and estate planning.

Technology and Platforms: Allianz Life will provides tech support to guide them through the establishment of direct data feeds with many of the largest platforms in the industry, including Halo, LifeYield and Vestwell through the Allianz Ventures program.

The introduction of Allianz Advisory Solutions comes on the heels of the launch of AllianzIM's Buffered Outcome ETFs. Managed by Allianz Investment Management LLC, they debuted in June.

NAIC picks Conning to provide data for calculating reserves

The National Association of Insurance Commissioners (NAIC) recently selected **Conning, Inc.,** to provide Economic Scenario Generator (ESG) services for the NAIC, according to an announcement this weekConning will work on the ESG with the NAIC's Life Actuarial (A) Task Force and Life Risk-Based Capital (E) Working Group to implement the ESG for regulatory purposes.

On March 4, 2020, the NAIC issued Request for Proposal #2053, soliciting proposals from vendors to:

"provide, maintain, and support an ESG that produces real-world, interest and equity scenarios to be prescribed for use in calculations of life and annuity statutory reserves according to the Valuation Manual (e.g., VM-20, VM-21) and capital under the NAIC RBC Requirements (e.g., C3 Phase 1, C3 Phase 2)."

NAIC received six proposals and selected Conning. Conning's ESG tool uses advanced modeling and estimation technology to produce empirically validated, realistic economic behavior, and its financial models are among the industry's most technologically advanced.