
IRI Issues a 'State of the Insured Retirement Industry' Address

By Editor Test Thu, Dec 20, 2012

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Life insurers are adapting to the prolonged low interest rate environment and staying positioned to take advantage of the Boomer retirement opportunity, according to a new "State of the Insured Retirement Industry" [report](#) from the Insured Retirement Institute.

Billed as a "2012 Recap and a 2013 Outlook," the 14-page report asserted variable annuities are the "dominant product sold today" and predicted that deferred income annuities, now manufactured or planned by six insurers, will sell well again in 2013.

The Washington, D.C.-based IRI, which was the National Association for Variable Annuities until 2008, advocates for the interests of manufacturers and distributors of annuities and other guaranteed products. Its members include the major life insurers, fund companies and broker-dealers.

The biggest question for the coming year, and the report covers this briefly, is whether the administration or Congress will try to generate revenue by reducing the tax incentives for savings. Defusing that threat will probably be the IRI's number-one task in 2013.

The low interest rate environment, of course, poses an equally big problem. It's as good for annuity manufacturers as global warming is for the world's glaciers. But Fed policy, unlike regulatory or legislative matters, lies beyond the reach of lobbying organizations.

Among IRI's predictions for 2013:

More marketing of fixed indexed annuities outside the independent insurance agent channel.

"FIA companies are entering outside broker-dealers and should continue to grow their business through registered financial professionals."

SPIA sales spilling into new channels. "Like FIAs, SPIAs were traditionally sold via life insurance agents. However, several new players have captured significant market share, partly due to their expanding into outside channels."

Less emphasis on hard-to-hedge living benefits in variable annuities. "Companies are now aggressively developing new VAs that do not include a living benefit. Additional companies are expected to develop VAs without living benefits to address those interested in tax deferral, or to diversify into different asset classes."

Lobbying action over the tax-favored status of retirement savings products. "Two potential changes could have a large negative impact on the insured retirement (income delete?) industry: 1) The

modification of the preferential tax treatment of retirement savings; 2) Tax increases and their impact on retirement savings behavior.”

Lobbying action over the fiduciary requirement for retirement plan advisors. “With the elections over and the Obama administration remaining in place, the DOL will issue a modified proposal of the rule in the next several months and the industry will be focused on preserving middle class Americans’ access to affordable retirement planning services.”

Purchases of defined benefit pension obligation by insurers. “There is a trend toward companies with large defined benefit pension plans transferring the risk to an insurance company.”

Movement of private equity firms into the fixed annuity business. “Several private equity firms have purchased interests in a number of FIA companies and their presence may continue to drive sales in 2013.”

Expanding sales of deferred income annuities. “With a rough estimate of \$1 billion in sales for DIAs, 2012 marked the first year of any significant sales in the industry.”

Management of risks of in-force contracts by repurchasing deep in-the-money living benefits. “Three companies have filed or launched buyback programs on certain optional variable annuity benefits.”

Dogs that didn't bark in 2012

The report only briefly mentioned two product categories that some expected to play more prominent roles in 2012. One was contingent deferred annuities, formerly known as stand-alone-living-benefits. CDAs have been on the market since 2008, but sales have not taken off as of yet,” according to the IRI report. “A number of companies are exploring this market segment. Several new entrants are expected in this space over the next year or two.”

The other product was in-plan income guarantees, which are contracts that qualified plan participants can purchase before retirement to add some “defined benefit” certainty to defined contribution plans.

This product has been tough to sell, IRI said, because it requires a “two-tiered’ sale. Companies need to first have the plan sponsor agree to have the option on their plan, and then the client needs to be ‘sold’ the benefit of electing this option.”