
The Bucket

By Editorial Staff *Thu, Aug 29, 2013*

Brief or late-breaking items from Beacon Research, Athene Annuity, ADP, ING U.S., and Ruark Consulting.

Chad Parks joins Beacon Research as sales director

Beacon Research, an independent source of annuity information, announced today that Chad Parks has joined the company as Director of Sales. He will report to President and CEO Jeremy Alexander.

Parks previously served as regional vice president at Allianz USA, AXA Equitable and Sun Life. He also headed Davis & Parks Technologies, a software technology company serving the investment community.

He holds a bachelor's degree from the University of North Carolina at Chapel Hill.

Athene Annuity's SPIA to use enhanced Infosys McCamish platform

Athene Annuity's MaxRetire SPIA (single premium immediate annuity) will be the first product to use the Repetitive Payment Management (RPM) functionality on the Infosys McCamish Systems VPAS platform, the companies announced.

The VPAS platform provides end-to-end servicing and administration for life insurance and annuity contracts, according to a release. The VPAS "RPM web-enabled payout component" enhances the VPAS platform for servicing payout annuities and settlements for life insurance claims. The carrier and policy owner can view accumulations and payouts on one platform.

Athene's distribution began selling the MaxRetire SPIA product on May 30, 2013. McCamish Systems has provided end-to-end platform-based BPO services to Athene's fixed and fixed indexed annuities since 2006.

According to the release:

- The new service allows products to be configured and deployed without the need for development, leading to improved speed to market for carriers. It allows them to provide innovative new payout products and riders quickly to the growing annuity market based on the ease of the product configuration.
- Tax regulations and product features for the qualified and non-qualified annuity markets are built into the platform. The VPAS RPM solution supports qualified and non-qualified contracts with single and joint life options, with guarantee periods, if desired, as well as period certain options.
- RPM offers robust fee deductions, optional payee elections, automated exclusion ratio calculations and easily supports multiple calculation methods.
- The component lowers the risks and costs to carriers by providing one platform for accumulation and

repetitive payout/ disbursement processing, since a single platform eliminates the need to issue a new policy on a separate platform when the contract annuitizes.

- It enables seamless and automated processing using online product calculation engine for payout processing.

ADP TotalSource Retirement Savings Program hires ING U.S.

ING U.S. announced today that its Retirement Solutions business became the service provider for the ADP TotalSource Retirement Savings Program, effective August 7, 2013. The program, serviced by ING U.S.'s large corporate markets recordkeeping division, comprises approximately 2,800 plan sponsors as part of multiple-employer arrangement that represents over 57,000 participants and nearly \$2 billion in assets.

ING U.S. will provide participants access to financial planning tools, as well as custom communication and financial education programs. Participants will also have access to ING U.S.'s investment lineup, investment advice and retirement planning advice.

ING U.S. serves as a plan provider for 48,000 institutions and more than five million participants, according to *Pensions & Investments* ranking of Top DC Recordkeepers, April 2013.

FIA policyholder behavior study published by Ruark Consulting

Ruark Consulting LLC, a Connecticut-based actuarial consulting firm, has released the results of its 2012 Fixed Indexed Annuity Partial Withdrawal Study, which details the impact of various product features on policy persistency.

Eleven companies, including most of the major FIA writers, submitted data for the partial withdrawal study. The study the period January 2006 through September 2012 and included over 8 million contract years of exposure covering partial withdrawal experience under all FIA contracts, regardless of the presence of a living benefit.

Ruark examined various factors—age, duration and contract size—to determine those that have a material impact on partial withdrawal behavior for fixed indexed annuity contracts.

On contracts with a living benefit rider, Ruark looked at the effect of the “money-ness” of the guarantee and went into more depth on lifetime withdrawal behavior by examining results for the commencement of withdrawals under the benefit and, once withdrawals start, whether they continue.

Key findings of the study included:

- The presence of a free withdrawal amount has a significant effect of withdrawal behavior on all

contracts - even those with a lifetime withdrawal feature.

- Withdrawals by younger owners are more of a lower frequency, high severity event, with a material portion of their annual withdrawal amounts in excess of the free amount.
- Tax status is an important factor due to the telling effect of required minimum distributions on qualified contracts at older ages.
- Contracts with a GLWB rider take withdrawals less frequently than those without the rider and less by amount prior to starting lifetime income. However, withdrawals are still at levels that are detrimental to the guarantee. Ruark Consulting and our FIA clients were surprised at the limits of the rider's effect on overall withdrawal behavior.
- GLWB contract owners have been very reluctant to turn on the rider's lifetime income feature, having done so at single digits rates so far. These rates are even lower than Ruark Consulting has observed in its variable annuity studies on similar withdrawal benefits.
- Those that start lifetime income also do not "perfectly" exercise their option, as annual amounts withdrawn include significant portions both less than and greater than the contractual maximum amounts.
- The few GLWB contracts that commence lifetime income do, though, tend to leave it on: continuation rates are in excess of 90%.

Despite the above findings, company risk managers should not take false comfort in results thus far, as the GLWB rider is early in its history. Ruark Consulting plans to continue to track this and other key assumptions in the FIA market in order to provide its clients with important and necessary information for pricing, risk management, and, ultimately, valuation.

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