The Bucket

By Editorial Staff *Wed, Jul 9, 2014*

Nevin Adams to leave EBRI for as-yet undisclosed position. Also, brief or late-breaking items from Voya, Nationwide Funds and Securian.

Nevin Adams to leave EBRI

In his mid-year report, Dallas Salisbury, president of the Employee Benefit Research Institute, wrote, "Nevin Adams, who has been a highly prized contributor to the EBRI team, has accepted a position with another organization. I am, however, pleased to note that he has agreed to continue his work here through mid-August."

Adams, a former global editor-in-chief of PlanSponsor magazine who joined EBRI in 2011 as director of Education and External Relations, director of the American Savings Education Program and co-director of the EBRI Center for Research on Retirement Income, told RIJ in an email that his new employer would be announced in a few weeks.

A.M. Best upgrades Voya, with caveat

Citing "favorable trends in Voya's statutory and GAAP operating earnings, sound risk-adjusted capitalization and renewed focus on its retirement and employee benefit business, A.M. Best has upgraded the outlook for Voya Financial (formerly ING U.S.) to positive from stable.

The ratings agency also affirmed the issuer credit ratings (ICR) of "a" for Voya's key life insurance entities, affirmed with a stable outlook the financial strength rating (FSR) of A (Excellent) of Voya's life subsidiaries and revised the outlook to positive from stable and affirmed the ICR of "bbb" of Voya as well as the ratings on Voya's outstanding debt.

In explaining the upgrade, A.M. Best acknowledged Voya's successful IPOs since May 2013, which have reduced ING Group's ownership of Voya to about 43%.

"While some execution risks remain surrounding the completion of the process of becoming independent and rebranding to Voya, A.M. Best believes this risk has somewhat diminished as demonstrated by recent successful debt issuances totaling approximately $3 billion and favorable demand for its public shares," the agency said in a release.

"With the proceeds from the longer-term debt issuances, Voya has been able to eliminate its short-term debt while reducing overall financial leverage to approximately 20% with interest coverage improving to approximately five times." A.M. Best also cited:

- Voya's favorable debt maturity profile, with no debt maturing before 2018.
- Voya's established positions within the U.S. retirement, investment management and life insurance markets.
- Its reduced exposure to higher-risk assets in its general account.
- Its discontinued sales of variable annuities and certain capital-intensive life insurance products.
- Its focus on enhancing risk management practices.
- Improvements in the net amount at risk for its closed block of variable annuities (CBVA) the past several quarters, driven primarily by favorable market conditions.

The ratings agency also noted a need for caution regarding the "impact on earnings of Voya's CBVA segment and susceptibility of future earnings to spread compression and fluctuations in the equity markets."

"A.M. Best notes that Voya has managed interest spreads by actively reducing crediting rates in recent periods," the release said. "However, A.M. Best believes the company may be challenged to maintain current spreads over the near to medium term as approximately 80% of interest-sensitive account values are at guaranteed minimum interest rates. "Moreover, while A.M. Best acknowledges that Voya's hedging program protects statutory capital primarily against fluctuations in the financial markets, the company has taken material statutory charges in recent periods due to revisions to policyholder behavior assumptions on its CBVAs.

"As uncertainty remains whether current assumptions will be in line with policyholder experience, Voya is susceptible to additional and potentially significant charges in the near to medium term. Voya recently announced that it has retained the expertise of an outside actuarial firm to perform actuarial valuation, modeling and hedging functions for its CBVA segment, which A.M. Best views favorably.

"Finally, Voya's operating companies utilize significant levels of reinsurance – both affiliated and unaffiliated – as a capital management and risk mitigation tool for its term and universal life insurance business. As such, the group's regulatory risk-adjusted capitalization and statutory earnings benefit from the use of captives to fund Regulation XXX and Guideline AXXX reserves. A.M. Best expects statutory capital and earnings growth of Voya's insurance operating companies to continue despite dividend payments to the holding company for debt servicing and share repurchase.

“Factors that may lead to future positive rating actions for Voya include sustained favorable operating results across its core business lines without material drag from the legacy variable annuity business as well as maintenance of strong levels of risk-adjusted capital.

“Factors that could lead to future negative rating actions include significant operating losses or reserve increases in the variable annuity block, notable spread compression in interest-sensitive lines and/or a material reduction in risk-adjusted capitalization.

The FSR of A (Excellent) and ICRs of “a” have been affirmed for the following life insurance subsidiaries of Voya Financial, Inc.:

- ING Life Insurance and Annuity Company
- ING USA Annuity and Life Insurance Company
- ReliaStar Life Insurance Company
- ReliaStar Life Insurance Company of New York
- Security Life of Denver Insurance Company
- [The FSR of A- (Excellent) and ICR of “a-” have been affirmed with a stable outlook for Midwestern United Life Insurance Company, a non-core subsidiary of Voya.]

Nationwide offers three new mutual funds

Nationwide Funds, the mutual fund business of Nationwide Financial, is adding three new mutual funds to its fund lineup, providing “investors with greater choice and access to new portfolio managers, while helping Nationwide Funds reach its growth objectives,” the company said in a release.

According to the release, sales of Nationwide Funds has grown 200% since the first quarter of 2013 and assets under management have grown to $57.2 billion from $47.1 billion.

The new funds include:

The Nationwide Herndon Mid Cap Value Fund, which will invest primarily in mid-sized companies perceived to be under-valued. Managed and subadvised by Herndon Capital Management, it is the first mutual fund to offer the Herndon mid-cap value strategy.

The Nationwide Diverse Managers Fund, which will invest in global equity and fixed-income securities. The fund’s four sleeves that are managed by separate minority- and women-owned investment firms, including Garcia Hamilton & Associates, Herndon Capital Management, Strategic Global Advisors, LLC, and Ariel Investments. The fund will be available to Nationwide Financial’s retirement plan clients in mid-July.

The Nationwide Bailard Emerging Markets Fun, which will invest in emerging market equities. The fund is subadvised by Bailard, Inc. Nationwide acquired three Bailard funds when it bought 17 mutual funds from HighMark Capital Management, Inc. last year.

As of March 31, 2014, Nationwide Funds manages 114 funds with approximately $57.2 billion in assets, excluding funds of funds.

Securian guidance program adds tablet-friendly website

Securian has launched RetirementGPS.com, a component of the insurer's Retirement GPS program, which "is designed to help advisors frame conversations with clients" about retirement in general and annuities in particular, the company said in a release.

"Advisors are looking for ways to start the retirement income conversation," said Kerry Geurkink, manager, Individual Annuity Marketing, Securian Financial Group, in a statement. "RetirementGPS.com can help "them shift focus from accumulation to developing a retirement income strategy."

The site helps advisors and clients discuss:

- Inflation risk, longevity risk and other financial risks.
- Questions to consider when planning "a retirement route."
- Sources of income for retirement
- How to keep finances on course throughout retirement.

The site also offers useful tools and resources:

- An online survey allows visitors to answer retirement questions and compare their responses with others'.
- A "Destination Retirement" brochure and workbook, which helps clients develop realistic retirement income strategies.