
Voya adds volatility-controlled index to its FIAs

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"The Point-to-Point Volatility Control Strategy tracks Deutsche Bank's proprietary CROCI (Cash Return on Capital Invested) US 5% Volatility Control Index," a Voya release said.

A new index crediting strategy, called the Point-to-Point Volatility Control Strategy, is now available on the Voya Secure Index series and Retirement Index Select series of fixed index annuities (FIAs), Voya Financial announced this week.

The Point-to-Point Volatility Control Strategy tracks Deutsche Bank's proprietary CROCI (Cash Return on Capital Invested) US 5% Volatility Control Index, Voya said. CROCI is designed to reduce volatility to 5% by moving money between select U.S. equities and cash in response to changes in market volatility.

The CROCI valuation methodology selects 40 of the most undervalued stocks from among approximately the 250 largest companies (by market capitalization) of the S&P 500 Index and groups them together in a propriety index.

Only a small fraction of FIA premiums is used to buy options on the performance of (typically) equity indexes, so FIAs can deliver only a fraction of index gains. They may credit investors with equity returns below a designated "cap" percentage or the gains above a "spread." Or, especially recently, they can offer nominally unlimited ("uncapped") credits that are internally limited by volatility control strategies. (FIA owners do not receive dividends, because they do not invest directly in equities.

These uncapped strategies have been successful in boosting FIA sales, and have created new business for the investment banks that design the custom indices for the issuers. According to a Voya release, the Point-to-Point Volatility Control Strategy uses both volatility controls and a spread to arrive at the percentage gain that it pays investors. "Point-to-point" means that the gains are locked in on each contract anniversary date.

Voya Secure Index series and the Retirement Index Select fixed index annuity are issued by Voya Insurance and Annuity Company and ReliaStar Life Insurance Company, respectively.