

## THE PROPOSED FIDUCIARY RULE: *Retail Annuity Manufacturers'* *Perspective*



The Department of Labor's fiduciary rule promises great impact across the retirement savings landscape — and many people see the current retail annuity market as the eye of the storm. In response to member companies' requests for insight into the expectations and preparations of their peer companies, LIMRA's Secure Retirement Institute conducted a brief survey to gauge each company's DOL-related activities and to solicit sentiments around anticipated impacts to annuity product strategies. The following is a snapshot of expectations. Some sentiments will change because the new rule held some differences from the proposed rule.

### Annuity Manufacturers Believe the DOL Rule Will Be a Catalyst for Fee-Based Advice



**27** out of **30** companies predict a **MODERATE** or **SIGNIFICANT INCREASE** in interest in fee-based advice.

**NOT SURPRISINGLY, THE GREATEST IMPACT IS EXPECTED TO BE ON THE QUALIFIED VARIABLE ANNUITY MARKET.\***

*\*Pre-release, when survey was fielded, most expected fixed indexed annuities (FIA) to continue under current 84-24 'suitability' treatment. Given the final rules placement of FIA under BICE, if conducted today, we might expect a response to qualified FIA more similar to that of qualified variable annuities (VA).*



**73%** expect **MODERATE** or **SIGNIFICANT SALES CHANGE** in Qualified VAs.

**ALMOST ALL ANNUITY MANUFACTURERS HAVE BEEN ASSESSING PRODUCT IMPLICATIONS IN ANTICIPATION OF THE RULE, BUT FEW HAVE FULLY BUILT OUT FINAL NEW VERSIONS READY TO FILE.**



**77%**

High level product implications have been evaluated and prioritized yet detailed pricing and systems work is deferred until we see the final rule.



**13%** My company has taken a wait-and-see approach and is waiting for the final ruling to be published before investing time and resources.



**3%** New products have been designed and are ready to be filed once the rule is finalized



**7%** OTHER\*

*\* Current product development plans aligned with pre-DOL strategy but also aligned to likely DOL outcome. New product designs are being priced.*

- Annuity designs for RIAs
- Fee-based annuities (not trail commission)
- Fixed Indexed annuities
- Investment-only annuity



**QUESTION:** *Do you expect to begin manufacturing certain types of retail annuities you do not manufacture now?*



**QUESTION:** *Do you expect to stop manufacturing certain types of retail annuities?*



**YES**  
→

“Initially, expect to discontinue variable annuity sales to qualified money”

“L-share and Bonus products”

“We expect that decision to be driven by the Broker Dealers”

### METHODOLOGY

The survey was sent to the product leads at the top-selling annuity manufacturers at LIMRA member companies during the last week of March 2016. Thirty member companies, representing 60% of 2015 sales, responded.

