Presentation at the Bank of America Merrill Lynch Insurance Conference 2016

February 11, 2016
08:35 AM EST

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Seth Weiss: Let's move right on to Voya Financial. I'm pleased to introduce Ewout Steenbergen, CFO of Voya. Since going public in the spring of 2013, Voya has already achieved its 12 to 13 percent ROE target set two years ago, set a new 13.5 to 14.5 percent ROE target for 2018, and bought back over $2 billion of shares which is meaningfully above at least what I expected and I think probably I'm not alone in that boat. So I'm pleased to introduce Ewout Steenbergen to join me on stage to talk about the progression story at Voya. Ewout Steenbergen, thanks so much for joining us.

Ewout Steenbergen: Good morning, Seth. Good morning, everyone.

Seth Weiss: Ewout Steenbergen, if we could kick off with the ROE plan and it's been impressive progression to start out, in the summer you moved from a 12 to 13 percent goal to a 13.5 to 14.5 percent goal. How are you going to get there over the next two to three years?

Ewout Steenbergen: So if you look at Voya's Ongoing Business, what we like about our opportunity is that this is really a self-help story. So the opportunity to improve the ROE is very much within the control of management, management's actions we can take to improve the returns of our businesses to levels at or above industry levels, and it's less dependent on external factors, market factors as such.

We have 20 initiatives defined that we are working on and executing on to improve our ROE going forward. They are in three buckets. There is margin, growth, and capital initiatives. If you think about margin initiatives, think about making our businesses more efficient, digitizing some of the processes, simplifying IT infrastructure, taking expenses out, managing our crediting rates and so on and so on. So those are all opportunities that are clearly within management's control.

With respect to growth, there are many initiatives where we believe we have more opportunities to improve our commercial activities in the market. We're expanding some of our distribution reaches. In Retirement, we have more feet on the street. There's, for example, in the Small and Mid Corporate Markets a large part of the market where today we are not invited for RFPs and we're really actively trying to really be part of every possible new client that is out there in the market that goes out with an RFP. We are expanding our distribution there in the Tax Exempt Markets as well as in the Large Corporate Markets. We are so far in the mega markets and we are going down a bit to the large, so let's say the over $150 million market there.

The same in our Investment Management business. We are expanding distribution. International distribution has been relatively light so that is where we are acquiring additional capabilities. We have a new team that is selling to insurance customers, mostly P&C and other insurance customers that need general account capabilities. We can provide that. So there are many initiatives that are going on.

Think about our Annuities business, our Fixed Index Annuities. We have new distribution arrangements with Allstate. So the advisor channel network of Allstate is now selling Fixed Index Annuities from Voya. We have just announced last quarter a similar initiative with the advisor network of Farmer's. So there's a lot of things going on with respect to commercial initiatives.

And the last category is capital. We believe we still can make our business less capital-intensive. We are looking at products that are less capital intensive. On the Individual Life side we are mostly only selling Indexed Universal Life, which is really linked to indices and is less having interest rate guarantees. The same on the Annuities side. Already for many years we've shifted from the traditional fixed annuities where there are more interest rate guarantees to indexed fixed annuities, which are all less capital-intensive.

But we are also looking at opportunities to take capital out. Last year we did a transaction to sell a block of business of Individual Life to RGA. That was a block of business where we had lower terms and we're freeing up approximately $230 million of capital.

So those are all those initiatives, in total like I said 20 initiatives. And therefore, we're confident we can bring this ROE up to 13.5 to 14.5 percent by 2018.

Seth Weiss: And moving to that next leg, I believe that across the three initiatives it looks more weighted to growth than maybe some of the margin improvements which are part of the self-help story to start out over the first two years of the IPO. From your remarks it sounds like increased penetration of distribution and increased client relationships is a big component of that. Voya is a fairly new brand, obviously not a new company but a new brand. Could you talk about your conversations with clients and reaction to the Voya brand?

Ewout Steenbergen: Yes. Clearly we came from a situation with the ING brand that is very strong. We are spending last year and this year approximately $100 million for rebranding, so additional advertisements to bring the Voya name out to the market, both to our distribution partners, plan sponsors, as well as just the retail market plan participants. It’s helpful when an advisor is sitting with a retail client that the retail client is saying yes, I recognize Voya, I’ve seen their ads on TV, I know who they are if the advisor is proposing a Voya product. The same for a plan sponsor. It makes it easier if the plan participant knows Voya and is saying oh yes, I know Voya is my administrator for my 401k plan and for my 401k accounts.

So far, we are measuring clearly the brand awareness. We are tracking with the targets. So we are not so concerned about this transition. It is in fact going very well. I would not be able, Seth , to give one example to say well we really lost out commercially because of the brand issues. That’s because the brand was less well known that we have seen some reduction in sales in a particular area or we missed out on a large institutional client because of a brand initiative. I think that transition is going well. I presume everyone is seeing that. It’s quite often out there and, yeah, so we think that transition is going well.

Seth Weiss: And as you mentioned, one of the attractive elements of the ROE expansion story is it’s not as reliant on market factors. Positive equity markets help you. Could you give a sense and sensitivity of your ROE and your ROE goals to market measures and does the turbulence to start out 2016 put your 2018 target at risk?

Ewout Steenbergen: Yes. So obviously we are also not immune as a company from macroeconomic factors. We think overall the sensitivities are manageable. What you have to think about is the following. So a one percent decline of the equity markets is approximately $3 million to $4 million impact on our operating earnings, $3 million to $4 million and that is post–DAC, pre-tax, for a one percent decline in the equity markets.

In our plan, we have an assumption of 7.5 percent equity market appreciation, 1.5 percent dividend to income. So if you would add that up and over a three year period up to 2018 in terms of return on capital, so unlevered returns it would be approximately 90 basis points *[Corrected for speaker misquote]* if equity markets would stay flat, we didn’t do anything over the next three years.

In terms of rate sensitivities, if interest rates would stay flat from where they were let’s say at year-end, more or less flat over the next few years compared to our plans, it would be a one percent impact on operating earnings in the first year growing to approximately five percent impact compared to what is our plan in 2018, so five percent less than our current plan in 2018. That would be closer to a 60 to 70 basis points *[Corrected for speaker misquote]* impact in terms of the ROC.

So that would be the most extreme kind of sensitivity. We have a range of 13.5 to 14.5 percent. We know we have many initiatives that we can take. There’s also initiatives we can deal with a low rate environment. We have still room with respect to our crediting rates. On average, the book is somewhere between mid-70 to mid-80 percent at guaranteed minimum rates. So we still have room to maneuver. There are still many management actions we can take to offset. Those have not been included in those sensitivities I just provided.

Seth Weiss: Moving to capital deployment, yesterday you reported an excess capital number of $1.1 billion. You also announced an authorization of $700 million. So there's a little bit of a disconnect there obviously between the authorization and what you view as excess deployable today. Could you discuss how you view the difference in numbers there?

Ewout Steenbergen: Yes. First of all, what we are striving to find is a fair balance between confidence in our excess capital position as well as prudency given the market volatility. $1.1 billion of excess capital we had at year end 2015 and it's over and above already very conservative standards. So the standards we apply to ourselves, 425 percent of RBC, 24 months holding company liquidity and so on, I would say are all really at the high end of the spectrum of where some peers are.

So $1.1 billion, we really feel this is excess capital that's available. We think if you look at the current share price of Voya, it's highly attractive obviously to deploy the excess capital for buyback activities. We think $700 million is a good number at this point in time. If you would express it in the current market cap of Voya, it's approximately 12 percent of our market cap for the new authorization in terms of buybacks. And as you said in the introduction, Seth, that is on top of $1.5 billion of buybacks we did last year and $800 million of buybacks we did in 2014. So if you add it up, including the current authorization that's $3 billion buyback over the last periods.

And then we still have $400 million remaining. That is a kind of hold back. We want to see how the year is playing out certainly with the market volatility and then later this year decided on what is the best way to deploy that $400 million. We think that prudent management is appropriate in the current situation. We are managing the business for the long-term and then in the course of this year we'll make another decision on how to best deploy that $400 million.

Seth Weiss: Is there a thought to bringing down those targets? You do mention the 425% RBC target in two years. Holding company liquidity, I would agree that is on conservative ends of the spectrum. As you move forward and actually deploy this excess capital, is there perhaps potential to bring down those targets for the risk buffers?

Ewout Steenbergen: Not at this moment. If there are changes to effects and circumstances we could think about changes in our standards. But we think that those standards are clear. They are set at the IPO of the company. They have been communicated with all of our constituents, the regulators, the rating agencies and so on. We like where we are. It helped us last year to get the upgrades from S&P, Moody's, and Fitch. So we really would like to stick to those targets at this point in time.

Seth Weiss: One of the areas not in your ROE targets is the Closed Block Variable Annuity book. It obviously flows outside. Can you discuss the strength in terms of your total resources that back that business?

Ewout Steenbergen: Yes. So total resources and these are all hard assets that we had available at year end 2015 were $5.7 billion. So we have a book of business of $35 billion and these are the account values of the underlying funds of those policies. And then we have $5.7 billion of additional resources to deal with claims and additional capital buffers on top of that in the future.

That $5.7 billion are all hard assets. It's built up based on the following components. $4.6 billion are statutory reserves, also called AG43 reserves. Then we had $500 million of cash flow testing reserves and then we had $600 million of additional assets, so additional what we called unassigned assets over and above our statutory requirements. That's how it's built up. It's the same $600 million that we had a quarter ago.

What is very important here is the hedge program because the hedge program is a very large program that is working in a very tight way and is delivering on the stated objective and the objective is to offset regulatory and rating agency requirements. So this is a closed block already for six years. It's in runoff. Because it's a liquidation scenario the most important is the regulatory and rating agency capital requirements because that will determine the real cash capital that has to be put into this book. We hold ourselves to the higher of the two standards because we want to be fine on both bases. And the hedge program is performing well. We show that in our earnings deck.

So if you go to our earning release every quarter you see the effectiveness of the hedge program relative to the statutory liability movement and it's relatively tight in terms of the hedge program. We have, of course, also been very closely monitoring the program over the month of January and the program is designed for markets like this. We have it for market downturns and volatilities. We have interest rates roll hedges on. We have equity market delta hedges on. We have a volatility hedge. We have a credit hedge. We have option programs on top of that, very large notionals. If you look at the hedge effectiveness in January it was, again, from our perspective doing well according to its stated objective. So if you look at that $600 million of excess assets we still feel at the end of January according to the information we have today that still a significant amount of excess assets are still available there at the end of January.

Seth Weiss: Looking at the hedge performance over the last, I think you've given 12 or 13 quarters of data if we look in your presentations, there's been positive hedge breakage if we add it up cumulatively, about $1.5 billion. So the positive breakage is obviously a good thing, the direction. But the size to me seems a little bit large compared to the

$5.5 - $6 billion of resources you have. Can you help us think about that size of the breakage over the last three years?

Ewout Steenbergen: From our perceptive, Seth, if you look to the hedge breakage on a quarter-by-quarter basis, we actually think it's rather low because every quarter it's somewhere between zero to $100 million on the size of a book like this. That is pretty, pretty tight. You have to realize that these are active managed funds that are underneath. So you have hedge breakage there. You have the basis risk how it is called that you are hedging according to indices. But you have actively managed funds so the indices are not perfectly aligned with what is happening with the funds itself.

Also, we are hedging according to two standards, according to the statutory as well as the rating agency standards. You are right that you have seen positive breakage over those periods. Fortunately we had one quarter last year where the breakage was slightly negative. I even said to the hedging team that I was happy about that because some point if it's every quarter positive it's almost too good to be true. But you should expect a small positive, small negative every period, and again within a small corridor. We feel very, very good about the performance of the hedge program over the last period, including the beginning of this year.

Seth Weiss: You mentioned the $5.7 billion is all hard assets. You also, I believe, have a letter of credit which is not included in that number but it is something that you could tap on occasion. Could you describe what may trigger you to tap that letter of credit and maybe why you would tap the letter of credit?

Ewout Steenbergen: So first of all, I would like to make a clear statement that there was no need for a letter of credit by year end 2015 or any of the previous quarters. I think the last time there was really a need was the quarter around the IPO of the company. So there was no need of that LOC over the last three years.

What would be the purpose of the LOC and when do we really need it? There's two, in fact, two reasons and purposes. One is if markets go down there might be a discrepancy between the statutory requirements and the rating agency requirement. The rating agencies don't accept the letter of credit. They only look at hard assets. So if there is a discrepancy between the two, the letter of credit is only there to satisfy statutory purposes.

Why do we need it then for a statutory basis? The difference in the way how rating agencies look at the required assets is they look at all of the entities in aggregate. So they look at multiple entities in different states and we have captive entities and they say are your assets in total acceptable according to our rating agency requirements? On a statutory basis you have to satisfy for each and every single entity. So it might be that in aggregate we have sufficient assets but due to geography one entity might have a small shortfall; the other entity has a large excess. In total, we are fine. But because we want to satisfy each and every entity on a statutory basis that LOC is needed. So that's not because the company in total is short. It's purely to manage geography.

Seth Weiss: That's helpful. If we move back to the Ongoing Business and the Retirement administration, we've heard other peers reference margin pressure in the 401k market. Could you speak to the competitive landscape of what you're seeing?

Ewout Steenbergen: There is fee pressure. There has been fee pressure. There will continue to be fee pressure. It's not undue. It's not irrational. But there is always pressure on the fee levels and rightfully so. Plan sponsors have a fiduciary obligation to make sure that the plan conditions in terms of fees are the best and most acceptable that are out there in the market.

What is an interesting market dynamic, what we are seeing is that clearly the retirement space is becoming more and more a scale business because you need to have very efficient operations in order to deal with fees and fees that might be a bit under pressure over time and you can clearly see that mid-sized players are having difficulties. And certainly smaller players to be competitive in this area because you need to have the scale of the operations, your fixed infrastructure, your investments in more lean operations in order to be able to have a positive economic model.

The second is where you see a lot of attention is ultimately this is not a business where fees are making the difference in terms of being a winner from a competitive perspective, not. You want your fees to be in line. You don't want to be an outlier in a negative sense. But when you are more or less in the zip code of the required fee in terms of being competitive, then it's all about the additional services you can provide to plan sponsors and to plan participants.

There is a very large trend of more handholding of employees to give them more information, more advice, more tools to clearly help employers that employees are more actively participating in those plans. This is a real issue for employers because the participation level so far in plans has been rather low. Employers want their employees to be better prepared for retirement. It's an economic reason for employers as well. They don't want a very old labor force that is not ready for retirement who will stay on where the, for example, health expenses go up; where, for example, they cannot recruit new graduates from colleges because the older generation has to stay because they are not ready financially to retire.

So there is clearly a drive of additional services to increase participation levels, increase deferral levels. And we have more access therefore to the end participants than we have had before. So ultimately, that is where you differentiate as a player in the retirement market.

Seth Weiss: We have microphones in the back if anyone has a question. Feel free to raise your hand. Here we go, in the back left.

Q: Thanks. Can you comment on your energy exposure, your credit risk and any sensitivities that you might have to ratings migration or defaults?

Ewout Steenbergen: Yes. Our energy fixed income exposures by year end were $7.3 billion -- 92 percent of that is investment grade, 92 percent. The total unrealized loss on that book is approximately $500 million. Unrealized loss for us isn't that much of an issue. We are a buy and hold investor. We can wait until maturity.

The key item that you have to monitor and proactively manage is potential downgrades, credit migration and the impact that might have on the capital requirements, the capital charges. So our team is very proactively tactically looking at the book, looking at the risk where there is potential downgrades and managing that in order to make sure that the capital charges are not going up.

Just to give you a perspective, that 92 percent that we had in terms of investment grade by the end of December was 93 percent by the end of September. So we see hardly any change there in terms of the overall quality of the last quarter. So we feel confident about the quality of that book.

In terms of our total below investment grade exposure, that was $3.2 billion by the end of the year. That is approximately 3.5 percent of our total investment portfolio, clearly less than the average of our peer industry. The total unrealized loss there is $100 million. We also feel very comfortable about the quality of that book and we are not concerned at all.

In terms of your question about sensitivity, and this would be the most extreme sensitivity, if there would be a one notch downgrade of all of our energy holdings across the board and we would not proactively manage that credit migration that impact of one notch downgrade would be 15 to 20 RBC points less than our current RBC. So our RBC at year end was 485%. Clearly, as I said before, over our target of 425%, which is already a conservative target. The impact would be of a one notch downgrade across the board 15 to 20 RBC points lower.

Seth Weiss: You comment on that being a very extreme scenario. This is where you run the risk of talking to a bunch of equity guys about credit events. How do we think about a one notch downgrade just in terms of how your investment guys think about it and distribution of probability all moving down a third of a letter? Where does that fall within sort of the extreme tail risk or is that a tail risk?

Ewout Steenbergen: Well, if you first take a step backwards, I think we come out of a period where credit defaults and credit risks and credit risk premium were extremely low. So to some extent you could say we came from a very favorable period and we see some normalization. Of course, the attention is very much to the energy, metals, and mining sector. So there, the risks are higher.

Our philosophy from a risk management perspective is if you are in a very favorable part of the cycle you don't want to set your actual credit exposures very close to your limits because you know at the point that the cycle is turning and you're already at your limits. Then suddenly you have to act and you have to take actions because then you might very quickly pierce your limits and you have to reduce your exposure. So we keep deliberately from a risk management perspective some positive buffer between our actual exposures and our limits in a positive part of the cycle. So if we see credit migration going up, we're still comfortable within our overall limits.

So I think that's where we are and that's why for us it's important. We are again a buy and hold investor. If you are a forced seller in a market like this, then clearly you wouldn't be in a good position. But that is not where we are today.

Seth Weiss: I just want to pause to see if there are any other questions. Maybe we could just finish up on Investment Management, a core part of Voya's business facing pressure from a passive approach. How are you combating that and how do you find your positioning relative to the industry?

Ewout Steenbergen: So let me give you a few perspectives. But overall, my message would be this question about active versus passive is a bit black and white. We think there are pockets of the investment management industry where active management is useful and where you can really have alpha outperformance. And then there are some parts where you are more in a midpoint in terms of active and passive, for example, our target date fund strategy.

So let me first go into where do we feel we have opportunities to provide alpha to the market. Our equity teams are very fundamental teams in terms of their approach. There is no particular bias in terms of industry. There is no star kind of managers. It's a very team-based approach, bottoms-up. We usually tend to do a little bit less in terms of performance when there is a lot of positive sentiment. We are not so much in the sentiment stocks but usually from a downside perspective we do a little bit better when markets turn negative.

We have certain asset groups that have very specific capabilities. We have a very strong industry, well-recognized private placement group. We have a commercial mortgage group that is very strong, a mortgage derivative strategy that has one of the best performances in the market and are a private equity investor. So those are some of those pockets where we have specific capabilities where we can provide alpha to the market.

Then with respect to target date, this is really a trend we have jumped upon, a very good trend for the retirement space. It fits very well with our overall proposition. A lot of those plan participants like target dates because you expect the manager to really have a glide path in terms of your risk exposure from now to the point that you plan to retire and to manage that for you. Those target date proposals are usually a mix of passive and active. It's not only Voya-managed. We have a special multi-asset team that picks the best managers in the market and we like that as well in terms of our strategy.

So it isn't that black and white. We see those pockets and we think that we can really have a good proposition to the market there.

Seth Weiss: I think you'll get a lot of support in this room in terms of the value proposition of active management. So we'll leave it there for now. Ewout, thanks so much for joining us.

Ewout Steenbergen: Thank you, Seth.