

**Rating Action: TIAA (Affirmation)**

On June 8, A.M. Best affirmed the 'A++' (Superior) financial strength rating of Teachers Insurance and Annuity Association and its wholly-owned subsidiary, TIAA-CREF Life Insurance Co. (TIAA). The outlook for the rating is stable.

According to A.M. Best, the affirmation reflects TIAA's strong risk-adjusted capitalization and its leading position in the higher education pension marketplace. A.M. Best said it has a favorable view of TIAA's unique liability structure where most of its general account reserves are not cashable. TIAA's long liability structure and low liquidity needs allow it to take advantage of investment assets that are higher yielding, have less liquidity, and are of longer duration.

A.M. Best also stated it considers TIAA's investment management capabilities to be extremely strong. The company's investment portfolio has generated only moderate levels of investment losses in recent years.

A.M. Best's concerns regarding TIAA include the group's sizeable exposure to real estate-related and Schedule BA assets, which it believes hold the potential for material credit losses should the global economy deteriorate. A.M. Best also said it believes TIAA may be challenged to sustain its operating performance in the current low interest rate environment due to the 3% minimum interest rate guarantee on the majority of its pension liabilities.

**Rating Action: Mass Mutual (Affirmation)**

On June 16, A.M. Best affirmed the 'A++' (Superior) financial strength rating of Massachusetts Mutual Life Insurance Co. (Mass Mutual). The outlook for the rating is stable.

According to A.M. Best, the affirmation is based on Mass Mutual's strong 2015 financial results and record sales in key businesses. A.M. Best also stated the ratings reflect improvement in the company's already strong risk-adjusted capitalization, absolute capital level, and assets under management. A.M. Best noted that Mass Mutual possesses some statutory flexibility to maintain its capital position through the management of its policyholder dividend scale.

Offsetting these positive factors in A.M. Best's opinion are Mass Mutual's increased financial leverage, which increased to 16.6% in 2015, and increased impairments in its investment portfolio. A.M. Best said the increase in impairments, which is a reversal of the downward trend in impairments in recent years, was driven by energy-related investments and the collapse in oil and gas prices.

**Rating Action: Symetra (Affirmation)**

On June 16, Fitch Ratings affirmed the 'A' (Strong) insurer financial strength rating of Symetra Life Insurance Co. The rating outlook is stable.

The rating action comes after Fitch revised its outlook on Japan-based Sumitomo Life Insurance Co., the ultimate parent of Symetra, to negative following its revision of the outlook of Japan's sovereign rating to negative.

Fitch said it would allow Symetra's insurer financial strength rating to be rated one notch above its parent due to its standalone credit profile and lack of direct exposure to Japan. Fitch stated it expects Symetra's rating to be unaffected if the ratings for Japan are downgraded by one notch.

Fitch stated it views Symetra's standalone credit profile as in line with an 'A' rating reflecting the company's strong balance sheet, diversified earnings, and moderate financial leverage. Fitch also said it views Symetra to be exposed to above-average interest rate risk due its large legacy structured settlement and bank-owned life insurance (BOLI) books.

### **Rating Action: AIG (Outlook Revision)**

On June 2, A.M. Best affirmed the financial strength ratings of the life and retirement subsidiaries of American International Group, Inc. (AIG) and removed them from under review with negative implications. The outlook for the ratings is stable. The ratings had been placed under review with negative implications in January 2016 following the strengthening of loss reserves in AIG's non-life business by \$3.6 billion during the fourth quarter of 2015.

According to Fitch, the affirmation of AIG's life and retirement group reflects its acceptable risk-adjusted capitalization, strong statutory and group earnings from core business lines, and very strong business profile. Offsetting these positive factors, in Fitch's opinion, are potential earnings pressure, due to spread compression on its large book of interest-sensitive business, and significant dividend payouts to the parent company.

### **Rating Action: Protective (Affirmation)**

On June 16, Fitch Ratings affirmed the 'A' (Strong) insurer financial strength rating of the primary life insurance subsidiaries of Protective Life Insurance Corp. (Protective). The rating outlook is stable.

The rating action comes after Fitch revised its outlook on Japan-based Dai-ichi Life Insurance Co., the ultimate parent of Protective, to negative following its revision of the outlook of Japan's sovereign rating to negative.

Fitch said it would allow Protective's insurer financial strength rating to be rated one notch above its parent due to its standalone credit profile and lack of direct exposure to Japan. Fitch stated it expects Protective's rating to be unaffected if the ratings for Japan are downgraded by one notch.

Fitch stated it views Protective's standalone credit profile as in line with an 'A' rating, reflecting the company's strong operating profile, consistent financial performance, solid debt service capability, and relatively low investment risk.

## **Rating Action: Athene (Affirmation)**

On June 7, Fitch Ratings affirmed the 'A-' (Strong) insurer financial strength rating of Athene Annuity & Life Assurance Co. (Athene) and its affiliated insurance companies. The rating outlook is stable.

According to Fitch, the affirmation reflects Athene's continued strong earnings, solid capital position, lack of financial leverage, and market leadership position in the fixed annuity market. Fitch said Athene's operating earnings have been strong since inception due to favorable economics of the parent company's acquisitions and favorable equity market conditions. Fitch also noted that Athene's consolidated risk-based capital (RBC) ratio for its U.S. domiciled companies was 552% as of December 31, 2015.

Offsetting these positive rating factors, in Fitch's opinion, are Athene's rapid growth via acquisitions, relatively short operating history, narrow business profile, and somewhat aggressive investment portfolio. Fitch observed that Athene has above-average exposure to structured securities, including non-agency residential mortgage-backed securities (RMBS) that the company acquired at a steep discount in 2009.

## **Moody's Says Principle-Based Reserving is Credit Negative for U.S. Life Insurance Industry**

Following the adoption of principle-based reserving (PBR) by the National Association of Insurance Commissioners (NAIC), Moody's said the action was credit negative because it expects the practice will lead to a decrease in reserve levels for life insurers. PBR will be effective January 1, 2017, for U.S. statutory reporting and will be implemented over a three-year period, replacing the current formulaic approach with one that more closely reflects an insurer's economic risks.

Moody's said although PBR increased the link between financial reporting and economics, reserves are likely to decline. It expects insurers to utilize these funds for shareholder-friendly actions and reducing available capital in times of stress.

**A complete summary of M Carrier financial strength ratings can be found at the end of this update.**

M Financial Group will continue to monitor and evaluate developments relating to M Carriers and the industry as a whole. If you have any questions or comments, please contact any member of the M Product Management team at 800.656.6960.



**M Financial Carriers  
Summary of Financial Strength Ratings  
(June 21, 2016)**

M Carrier	<b>A.M. Best</b>				
	FSR	Description	Category	Outlook	Eff Date
John Hancock	A+	Superior	2nd of 15	Stable	3/11/2016
Nationwide	A+	Superior	2nd of 15	Stable	3/19/2015
Pacific Life	A+	Superior	2nd of 15	Stable	10/2/2015
Prudential	A+	Superior	2nd of 15	Stable	5/13/2015
TIAA	A++	Superior	1st of 15	Stable	6/8/2016
UNUM	A	Excellent	3rd of 15	Stable	3/1/2016
Lincoln National	A+	Superior	2nd of 15	Stable	12/8/2015
Voya-Security Life	A	Excellent	3rd of 15	Stable	8/18/2015
Sun Life of CA	A+	Superior	2nd of 15	Stable	7/9/2015
Delaware Life	A-	Excellent	4th of 15	Stable	2/24/2016

M Carrier	<b>Standard &amp; Poor's</b>				
	FSR	Description	Category	Outlook	Eff Date
John Hancock	AA-	Very Strong	4th of 20	Stable	4/14/2016
Nationwide	A+	Strong	5th of 20	Stable	5/10/2016
Pacific Life	A+	Strong	5th of 20	Stable	8/6/2015
Prudential	AA-	Very Strong	4th of 20	Stable	12/18/2015
TIAA	AA+	Very Strong	2nd of 20	Stable	7/17/2015
UNUM	A	Strong	6th of 20	Stable	5/18/2016
Lincoln National	AA-	Very Strong	4th of 20	Stable	9/24/2015
Voya-Security Life	A	Strong	6th of 20	Stable	4/13/2015
Sun Life of CA	AA-	Very Strong	4th of 20	Stable	4/15/2016
Delaware Life	BBB+	Good	8th of 20	Stable	5/6/2016

M Carrier	<b>Moody's</b>				
	FSR	Description	Category	Outlook	Eff Date
John Hancock	A1	Good	5th of 21	Stable	1/20/2016
Nationwide	A1	Good	5th of 21	Stable	1/22/2016
Pacific Life	A1	Good	5th of 21	Stable	5/19/2016
Prudential	A1	Good	5th of 21	Stable	5/6/2016
TIAA	Aa1	Exceptional	2nd of 21	Stable	2/17/2016
UNUM	A2	Good	6th of 21	Stable	4/28/2016
Lincoln National	A1	Good	5th of 21	Stable	12/30/2015
Voya-Security Life	A2	Good	6th of 21	Stable	4/7/2016
Sun Life of CA	Aa3	Excellent	4th of 21	Stable	1/22/2016
Delaware Life	Baa2	Adequate	9th of 21	Stable	12/24/2015

M Carrier	<b>Fitch Ratings</b>				
	FSR	Description	Category	Outlook	Eff Date
John Hancock	AA-	Very Strong	4th of 21	Stable	2/17/2016
Nationwide					
Pacific Life	A+	Strong	5th of 21	Stable	5/17/2016
Prudential	A+	Strong	5th of 21	Positive	3/16/2016
TIAA	AAA	Exceptional	1st of 21	Stable	5/27/2016
UNUM	A	Strong	6th of 21	Stable	4/29/2016
Lincoln National	A+	Strong	5th of 21	Stable	2/17/2016
Voya-Security Life	A	Strong	6th of 21	Stable	4/28/2016
Sun Life of CA	AA-	Very Strong	4th of 21	Stable	2/8/2016
Delaware Life					