Rating Action: Prudential (Affirmation)

On November 11, Moody's Investors Service affirmed the 'A1' (Good) insurance financial strength ratings of the domestic life insurance subsidiaries of Prudential Financial, Inc. (Prudential). The outlook is stable.

According to Moody's, the affirmation reflects Prudential's strong risk management culture and capital position. Moody's also cited Prudential's steps to reduce financial leverage and maintain liquidity at the holding company level. Moody's said Prudential's RBC ratio is well above 400% as of the end of the third quarter and its holding company cash and short-term investments totaled $4.2 billion, well above its target of $1.3 billion. Finally, Moody's said the ratings are also based on Prudential's strong brand name and leading positions in a number of U.S. insurance markets.

Moody's said these strengths are moderated by Prudential's complex capital structure and somewhat volatile net earnings results.

Rating Actions: Unum (Affirmation)

<u>Fitch Ratings</u>
On November 2, Fitch affirmed the 'A' (Strong) insurer financial strength ratings for Unum Group's (Unum) domestic operating subsidiaries. The rating outlook is stable.

According to Fitch, Unum's ratings reflect its strong operating performance in its core businesses, moderate investment risk, solid capital and liquidity, and its leadership position in the U.S. employee benefits market. Fitch noted that Unum's overall profitability has been strong despite the uneven economy and competitive challenges. Additionally, Fitch stated Unum's benefit ratio in its core U.S. group disability business has shown an improving trend over the past several years.

Fitch noted that its ratings also consider the impact of the low interest rate environment on Unum's ongoing businesses and competitive challenges in the company's core U.S. disability business.

<u>Moody's Investors Service</u>
On November 5, Moody's affirmed the 'A2' (Good) insurance financial strength ratings of the U.S. life insurance subsidiaries of Unum Group (Prudential). The outlook is stable.

According to Moody's, Unum's financial profile has been strengthening as core earnings have improved despite softness in the U.S. economy. Moody's also said Unum's leading market share in several group benefit and worksite markets contributes to its ratings. Moody's commented that Unum's investment portfolio is highly liquid and of good quality with minimal exposure to assets viewed as having higher risk such as structured securities, equities, real estate, and commercial mortgages. Despite higher concentrations of below investment grade bonds than its peers, Moody's said future investment losses should be manageable relative to Unum's earnings capacity and capital.

Challenges cited by Moody's include the fact that Unum's product risk profile and earnings are still associated with the disability business in both the U.S. and U.K., which Moody's views as one of the higher risk product profiles in the life insurance industry. Moody's also noted that Unum's claims could increase if there were an economic downturn and a return to increasing unemployment.

Rating Actions: Guardian (Affirmation)

A.M. Best
On November 18, A.M. Best affirmed the 'A++' (Superior) insurer financial strength rating of Guardian Life Insurance Co. of America (Guardian). The outlook for the rating is stable.

According to A.M. Best, the ratings reflect Guardian's solid risk-adjusted capital levels and its leading market positions in its core ordinary life, individual disability, and group insurance product lines. A.M. Best also cited the financial flexibility afforded to Guardian through its management of the policyholder dividend scale on its sizeable participating ordinary life insurance business. A.M. Best said Guardian continues to generate steady operating earnings and cash flows in its ordinary life business despite the low interest rate environment.

Fitch Ratings
On November 10, Fitch affirmed the 'AA+' (Very Strong) ratings of Guardian Life Insurance Co. of America (Guardian) and its wholly owned subsidiaries. The rating outlook is stable.

According to Fitch, Guardian's ratings reflect its favorable operating profile, very strong risk-based capitalization, low operating leverage, high quality investments, and relatively stable operating results. Fitch said Guardian's year-end 2014 risk-based capital (RBC) ratio was 527% and that it views company's statutory capital profile as exceeding rating expectations. Fitch also noted that Guardian's risky asset ratio at year-end 2014 was well below average and the company's credit-related impairments remain very low.

Key rating concerns cited by Fitch include ongoing low interest rates but the rating agency said it believes pressures on Guardian's profitability and capital caused by an extended low interest rate scenario is manageable in the context of its capital position and conservative liability profile.

Rating Action: Minnesota Life (Affirmation)

On November 12, Fitch Ratings affirmed the 'AA' (Very Strong) rating of Minnesota Life Insurance Co. The rating outlook is stable.

According to Fitch, the affirmation reflects Minnesota Life's extremely strong balance sheet fundamentals, conservative risk profile, and solid earnings. Fitch said it views Minnesota Life's extremely strong capitalization, as exhibited by its year-end 2014 RBC ratio of 527%, as a rating strength. Fitch also stated that Minnesota Life has diverse sources of revenue that reduces earnings volatility. Fitch observed the company has a large, investment grade bond portfolio with low exposure to risky assets.

Rating Action: AXA (Affirmation)

On October 29, Standard & Poor's affirmed its 'A+' (Strong) insurer financial strength ratings on the core subsidiaries of AXA group (AXA), including AXA Equitable Life Insurance Co. The outlook is positive.

S&P said AXA has continued derisking its balance sheet through its shift towards less capital intensive products. S&P said AXA's strong earnings have strengthened its capital quality and demonstrated the resilience of its business risk profile relative to the current low interest rate environment.

Rating Action: Principal (Affirmation)

On November 9, Fitch Ratings affirmed the 'AA-' (Very Strong) insurer financial strength ratings of the U.S. operating subsidiaries of Principal Financial Group, Inc. (Principal). The rating outlook is stable.

According to Fitch, the affirmation reflects Principal's strong capitalization and stable operating profile. Fitch said Principal's reported a year-end 2014 RBC ratio of 423%, which was down from 439% as of December 31, 2013. Fitch stated it expects Principal to continue to generate solid, stable earnings on its growing fee-based businesses, but earnings growth is likely to be constrained by low interest rates and continued competitive pressures in the intermediate term.

Partially offsetting these strengths in Fitch's opinion is Principal's above-average exposure to direct mortgages and structured mortgage securities, which Fitch views as a credit negative.

Rating Actions: Symetra

Fitch Ratings
On November 11, Fitch Ratings downgraded the insurer financial strength rating of Symetra Life Insurance Co. to 'A' (Strong) from 'A+' (Strong) and removed the rating from Rating Watch Negative. The rating outlook is stable.

Fitch attributed the downgrade to Symetra's high exposure to the continued low interest rate environment, with respect to profitability and fixed charge coverage, both of which are below ratings expectations. Fitch believes Symetra is more exposed to interest rate risk as result of its liability concentration in large legacy structured settlements and bank owned life insurance. Fitch also said the downgrade reflects Symetra's lack of significant scale compared to other highly rated life insurers. The rating was placed on Rating Watch Negative on August 11, 2015, following the announcement it had agreed to be acquired by Japanese insurer Sumitomo Life Insurance Co.

Fitch stated Symetra's balance sheet is a key strength with very strong capitalization, moderate financial leverage, and a high quality, liquid investment portfolio. Fitch reported Symetra's RBC ratio as of September 30, 2015, at 432%. Fitch also commented that Symetra's risky asset ratio as a percentage of capital is below the life industry average.

A.M. Best
On November 19, A.M. Best affirmed the 'A' (Excellent) financial strength rating of Symetra Life Insurance Co. The outlook for the rating is stable.

According to A.M. Best, Symetra's rating reflects its favorable operating earnings trend and solid liquidity and risk-adjusted capitalization. A.M. Best also said the rating reflects conservative financial leverage.

Fitch noted that while the company is a leading medical stop-loss carrier, it has materially grown its annuity business in the past few years. Despite this, A.M. Best said it remains concerned about the sustainability of earnings across key product lines given the continued low interest rate environment.

Rating Action: Genworth (Affirmation)

On November 16, Fitch Ratings affirmed the 'BBB' (Good) insurer financial strength ratings of the U.S. life insurance subsidiaries of Genworth Financial, Inc. (Genworth). The rating outlook is negative.

According to Fitch, Genworth's ratings consider its large exposure and market leading position in the long-term care (LTC) market, which Fitch views as one of the riskiest products sold by U.S. life insurers. Fitch noted that Genworth has initiated several rounds of premium rate increases and introduced changes to its LTC product offerings, but it the company remains susceptible to future charges and earnings volatility, which is the basis for the negative rating outlook.

Fitch stated it believes Genworth has made significant progress on its strategic and restructuring plans designed to reduce expenses, monetize certain businesses, reduce debt, and strengthen capital. Fitch said the company's planned sale, via reinsurance, of certain blocks of term life insurance will generate capital of $100 million to $150 million in aggregate and is expected close in the first quarter of 2016. Fitch said Genworth's reported RBC ratio was estimated at 445% as of September 30, 2015, but observed the company's statutory capital is heavily leveraged to reinsurance captives.

Moody's Outlook for Life Insurance Industry Remains Stable

Moody's Investors Service commented that despite the equity market correction in August, it continues to hold a stable outlook for the U.S. life insurance industry due to strong asset values, strong U.S. employment levels, continuing economic growth, and an expectation of rising interest rates. Moody's said these factors support its expectation for moderate revenue and earnings growth in the industry over the next 12-18 months.

Moody's noted it believes risks to the global economy (e.g., economic slowdown in China, tighter financing conditions in emerging markets) have increased in recent months, which may affect the Federal Reserve's ability to raise interest rates. If rates fail to rise and equity market volatility spikes, life insurers' financial recovery could reverse, prompting Moody's to change their industry outlook to negative. However, Moody's stated it does not expect this to occur.

In a separately published report, Moody's said a stress test of U.S. life insurers revealed improved performance since 2008 and demonstrated the industry's liquidity is adequate to absorb an unanticipated interest rate shock.

Fitch Says U.S. Life Insurers Showing Downward Shift in Corporate Bond Quality

A special report published by Fitch Ratings stated the ratings agency believes the U.S. life insurance industry is more exposed to corporate credit risk than it was prior to the financial crisis in 2008-2009. As a result, the industry is more susceptible to ratings migration in the next credit market downturn.

Fitch noted that since the financial crisis, U.S. life insurers have shifted their bond holdings toward corporate securities and away from structured securities. This was partially driven by the changes in the volume of new securities issuances in both sectors. Fitch said the allocation to NAIC Class 1 ('AAA' to 'A-') corporate bonds fell to 53% in 2014 from 64% in 2007. In that same period, the allocation to NAIC Class 2 ('BBB') corporate bonds (which are also considered "investment grade") increased to 39% from 29%.

Fitch summarized the impact of this ratings migration by noting that bonds in lower NAIC categories require higher capital charges, which could cause material declines in RBC ratios for U.S. life insurers that have downward shift in the ratings quality of their corporate bond holdings. However, Fitch also observed that corporate credit performed relatively well despite the financial crisis, the Great Recession, and subsequent slow economic recovery.

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
(November 23, 2015)

M Carrier	FSR	Description	Category	Outlook	Eff Date
	A.M. Best				
John Hancock	A+	Superior	2nd of 15	Stable	12/17/2014
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-CREF	A++	Superior	1st of 15	Stable	6/5/2015
UNUM	A	Excellent	3rd of 15	Stable	12/19/2014
Lincoln National	A+	Superior	2nd of 15	Stable	12/11/2014
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	11/20/2014

M Carrier	FSR	Description	Category	Outlook	Eff Date
	Standard & Poor's				
John Hancock	AA-	Very Strong	4th of 20	Stable	9/5/2014
Nationwide	A+	Strong	5th of 20	Stable	5/20/2015
Pacific Life	A+	Strong	5th of 20	Stable	8/6/2015
Prudential	AA-	Very Strong	4th of 20	Stable	9/18/2015
TIAA-CREF	AA+	Very Strong	2nd of 20	Stable	7/17/2015
UNUM	A	Strong	6th of 20	Stable	6/24/2015
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	4/9/2015
Delaware Life	BBB	Good	9th of 20	Positive	8/10/2015

M Carrier	FSR	Description	Category	Outlook	Eff Date
	Moody's				
John Hancock	A1	Good	5th of 21	Stable	7/29/2015
Nationwide	A1	Good	5th of 21	Stable	7/30/2015
Pacific Life	A1	Good	5th of 21	Stable	6/16/2015
Prudential	A1	Good	5th of 21	Stable	11/13/2015
TIAA-CREF	Aa1	Exceptional	2nd of 21	Stable	8/20/2015
UNUM	A2	Good	6th of 21	Stable	11/9/2015
Lincoln National	A1	Good	5th of 21	Stable	7/8/2015
Voya-Security Life	A2	Good	6th of 21	Stable	10/8/2015
Sun Life of CA	Aa3	Excellent	4th of 21	Stable	7/23/2015
Delaware Life	Baa2	Adequate	9th of 21	Stable	7/8/2015

M Carrier	FSR	Description	Category	Outlook	Eff Date
	Fitch Ratings				
John Hancock	AA-	Very Strong	4th of 21	Stable	8/19/2015
Nationwide					
Pacific Life	A+	Strong	5th of 21	Stable	4/28/2015
Prudential	A+	Strong	5th of 21	Positive	3/5/2015
TIAA-CREF	AAA	Exceptional	1st of 21	Stable	10/26/2015
UNUM	A	Strong	6th of 21	Stable	11/2/2015
Lincoln National	A+	Strong	5th of 21	Stable	2/11/2015
Voya-Security Life	A	Strong	6th of 21	Stable	9/15/2015
Sun Life of CA	AA-	Very Strong	4th of 21	Stable	8/19/2015
Delaware Life					