

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

On April 29, Fitch Ratings affirmed the ‘A’ (Strong) insurer financial strength ratings for the domestic operating subsidiaries of Unum Group (Unum). The rating outlook is stable.

According to Fitch, the affirmation reflects Unum’s strong operating performance in its core businesses, moderate investment risk, solid capital and liquidity, and the company’s leading position in U.S. employee benefits. Fitch said Unum’s overall profitability has been stable despite the uncertain economic environment and competitive market positions. Fitch also stated Unum has been experiencing an improving trend in its benefit ratio of its disability income business over the past several years. Fitch noted that Unum’s consolidated risk-based capital (RBC) ratio was approximately 390% as of March 31, 2016, which is within Fitch’s expectations and near the high end of management’s target range of 375%–400%.

Rating challenges cited by Fitch include the impact of the low interest rate environment on Unum’s ongoing businesses and competitive challenges in the company’s core disability business.

### **Rating Action: Delaware Life (Upgrade)**

On April 20, Standard & Poor’s raised its financial strength rating on Delaware Life Insurance Co. to ‘BBB+’ (Good) from ‘BBB’ (Good). The outlook is stable.

According to S&P, the upgrade reflects Delaware Life’s progress on executing the company’s strategic goals by achieving consistent operating performance and very strong capital and earnings. S&P said Delaware Life is generating a significant level of earnings on its largely closed-block annuity business with minimal new-business strain. S&P also noted that the company’s steady statutory net income has contributed to its improved view of Delaware Life’s capital and earnings.

S&P noted that Delaware Life will continue to face a number of challenges as it ramps up its sales and distribution network due to the low interest rate environment and the Department of Labor’s new fiduciary rules.

### **Rating Action: Northwestern Mutual (Affirmation)**

On May 5, A.M. Best affirmed the ‘A++’ (Superior) financial strength rating of Northwestern Mutual Life Insurance Co. The outlook for the rating is stable.

According to A.M. Best, the rating reflects Northwestern Mutual’s favorable risk-adjusted capitalization, strong liquidity, and leading market position in participating whole life insurance. A.M. Best said it views participating whole life insurance as highly creditworthy due to its pricing flexibility to adjust policyholder dividend scales to recognize current investment experience. A.M. Best also stated the company’s operating performance remains solid and its asset portfolio is highly liquid.

Partially offsetting these positive factors in A.M. Best's opinion is the high levels of competition in the affluent market and the company's elevated level of investment risk, which includes below-investment-grade bonds and real estate assets.

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

On May 11, Fitch Ratings affirmed the 'A' (Strong) insurer financial strength rating of Symetra Life Insurance Co. The rating outlook is stable.

According to Fitch, the rating reflects Symetra's strong balance sheet, diversified earnings, and moderate financial leverage. Fitch said Symetra's balance sheet is well positioned and exhibits very strong risk-adjusted capitalization with a RBC ratio of 424% at year-end 2015. Fitch stated that Symetra's risky asset ratio and energy exposure is below average compared to the industry. Fitch noted that Symetra's rating also reflects its status as a wholly-owned subsidiary of Japan-based Sumitomo Life Insurance Co.

Negative rating factors cited by Fitch included Symetra's exposure to the low interest rate environment based on its liability mix; particularly, structured settlements and bank-owned life insurance. Fitch also stated Symetra's operating return declined in 2015 driven by higher medical stop-loss benefit ratios, higher growth-related expenses, higher losses on alternative investments, and spread compression. Fitch noted the company's flexibility to adjust its minimum crediting rates is declining.

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

On April 22, Fitch Ratings affirmed the 'A' (Strong) insurer financial strength ratings of the primary life insurance subsidiaries of Protective Life Corp. (Protective Life). The rating outlook is stable.

Fitch said Protective Life's ratings reflect its status as a wholly-owned subsidiary of Japan-based Dai-ichi Life Insurance Co. However, Fitch said it views Protective Life's standalone credit profile at 'A,' reflecting the company's strong operating performance, solid risk-based capitalization, and relatively low investment risk. Fitch said it views Protective Life as strongly capitalized, with a reported RBC ratio of 562% at year-end 2015. Fitch also said it views Protective Life's asset quality as relatively high based on its risky assets to surplus ratio of 42%, compared to 80% for the industry.

### **Rating Action: Great-West (Affirmation)**

On April 22, Moody's Investors Service affirmed the 'Aa3' (Excellent) insurance financial strength ratings of the primary operating companies of Great-West Lifeco (Great-West). The rating outlook remains stable.

According to Moody's, the affirmation reflects the stable earnings power of Great-West's Canadian franchise, strong investment quality, and healthy capitalization. Moody's noted Great-

West's well-diversified distribution in Canada as well as its leading position in the U.S. pension market.

Partially mitigating these strengths in Moody's opinion are the company's sizeable exposures to fixed income investments in European financial institutions and its high ratio of equity accounted for by goodwill and intangibles.

### **LIMRA Says Premium for Combo Life Products Rose 14% in 2015**

According to market research from LIMRA, new premium for individual life combination (life insurance and long-term care) products grew by 14% to \$3.1 billion in 2015. The amount represented 15% of all new premium for individual life policies with a 37% increase in the number of combination policies issued. LIMRA's study also found that sales of products with long-term care acceleration riders experienced even stronger growth, increasing by 51%.

**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  
 (May 17, 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 Life	A++	Superior	1st of 15	Stable	6/5/2015
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	4/22/2016
Pacific Life	A+	Strong	5th of 20	Stable	8/6/2015
Prudential	AA-	Very Strong	4th of 20	Stable	12/18/2015
TIAA Life	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	4/15/2016
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	12/11/2015
Prudential	A1	Good	5th of 21	Stable	5/6/2016
TIAA Life	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	12/22/2015
Prudential	A+	Strong	5th of 21	Positive	3/16/2016
TIAA Life	AAA	Exceptional	1st of 21	Stable	10/26/2015
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					