Rating Action: TIAA (Affirmation)

On February 27, Fitch Ratings affirmed the ‘AAA’ (Exceptionally Strong) insurer financial strength ratings of Teachers Insurance and Annuity Association (TIAA) and its wholly owned subsidiary, TIAA-CREF Life Insurance Co. The rating outlook is stable.

According to Fitch, TIAA’s ratings reflect the company’s extremely strong capitalization, very stable liability profile, and good risk-adjusted earnings. Fitch said TIAA’s statutory capitalization continues to be extremely strong with total adjusted capital in excess of $40 billion. Fitch stated TIAA’s risk-based capital (RBC) ratio as of year-end 2015 was at 556%. Fitch noted that net income from operations during the first three quarters of 2016 was 40% higher than over the same period the prior year due to strong investment performance. Fitch also observed that TIAA’s investment portfolio continues to perform within its expectations and that credit-related investment losses have been favorable and improving over the past several years.

Rating Action: Manulife (Affirmation)

On March 17, Fitch Ratings affirmed the ‘AA-’ (Very Strong) insurer financial strength ratings of the primary insurance operating subsidiaries of Manulife Financial Corp. (Manulife), including John Hancock Life Insurance Co. (USA). The rating outlook is stable.

According to Fitch, the rating reflects Manulife’s very strong capitalization, improvement in core operating earnings, and solid business profile. Fitch said it believes Manulife is well-capitalized on a risk-adjusted basis. Manulife reported a 34% net income increase in 2016 over the prior year.

Partially offsetting these positive factors in Fitch’s opinion are Manulife’s modest fixed charge coverage, above-average asset risk, and earnings sensitivity to market-related events.

Rating Action: Sun Life (Outlook Revision)

On March 13, Standard & Poor’s affirmed its ‘AA-’ (Very Strong) financial strength rating for Sun Life Assurance Co. of Canada (Sun Life) and revised its outlook to positive from stable.

According to S&P, the positive outlook is based on its expectation that Sun Life’s capital adequacy will remain above the ‘AAA’ level based on S&P’s model. If the company maintains the same level of capital adequacy, S&P said it would likely lead to an upgrade within the next 24 months. S&P also said it views Sun Life’s business risk profile as very strong, benefiting from the company’s top-three position in Canada’s life insurance market.

Rating Action: Genworth (Downgrade)

On March 10, Moody’s Investors Service downgraded the insurance financial strength ratings of the long-term care (LTC) subsidiaries of Genworth Financial, Inc. (Genworth) to ‘Ba3’ (Questionable) from ‘Ba2’ (Questionable). The subsidiary companies are Genworth Life

Insurance Co. and Genworth Life Insurance Co. of New York. The ratings remain on review for downgrade.

According to Moody's, the downgrade and continued review for downgrade reflects Genworth's reduced margins on LTC and uncertainty related to future margins. Moody's said Genworth reported that its annual review of LTC assumption reduced its estimated margins by approximately $1.5 billion in 2016.

Moody's stated that Genworth's LTC margins are heavily dependent on its need to secure future rate increases from regulators. Moody's said it also remains concerned about the execution risk of the company's restructuring plan to isolate LTC operations from other businesses and the tail risk associated with LTC business. While Genworth's restructuring initiatives are underway, Moody's said the approval process to secure rate increases can take several years and it will take time to determine if the benefits of these initiatives have taken hold.

Rating Action: Guardian (Affirmation)

On March 16, Fitch Ratings affirmed the 'AA+' (Very Strong) insurer financial strength ratings of Guardian Life Insurance Co. of America (Guardian). The rating outlook is stable.

According to Fitch, the ratings reflect Guardian's favorable operating profile, very strong risk-based capitalization, low operating leverage, high-quality investments, and improving operating results. Fitch said it views Guardian's primary product—participating whole life—as relatively low risk due to the long duration of the liability and the very limited guarantee provisions. Fitch stated Guardian's RBC ratio was 552% at year-end 2016, which exceeds its rating expectations. Fitch also noted Guardian has a relatively conservative investment profile with below-average exposure to commercial mortgages and a risky asset ratio well below the average for its peers.

Key rating concerns cited by Fitch include ongoing low interest rates, potential market volatility, and the potential for significant deterioration in disability loss ratios in a weak economic environment. Fitch noted that it believes pressure on profitability and capital is manageable in an extended low interest rate scenario in the context of Guardian's capital position and conservative liability profile.

Rating Actions: AIG

<u>Moody's Investors Service</u>
On February 15, Moody's affirmed the 'A2' (Good) financial strength ratings of the life and retirement subsidiaries of American International Group, Inc. (AIG). The rating outlook is stable.

According to Moody's, the ratings for AIG are based on their leading positions in a number of individual and retirement product markets. Moody's said the company has made reinsurance transactions and alternative asset sales to return more than $1 billion in capital to the parent company while maintaining its regulatory RBC ratio.

Offsetting these strengths in Moody's opinion are AIG's significant exposure to interest rate risk and spread compression from its fixed annuity business. Moody's noted that these risks would lessen if rates continue to rise.

Fitch Ratings

On February 14, Fitch affirmed the 'A+' (Strong) insurer financial strength ratings of the life insurance subsidiaries of American International Group, Inc. (AIG). The rating outlook is negative.

According to Fitch, the affirmation reflects maintenance of capital levels despite a one-time loss in the fourth quarter of $5.5 billion, which led to a full-year loss of $849 million (compared to a $2.2 billion gain in 2015). Fitch said the negative outlook reflects continued uncertainty regarding AIG's ability to meet profitability targets for 2017 as part of the company's strategic plan. The challenges hampering AIG are related to the group's commercial insurance business. Fitch did note that capitalization at both the company's life and P&C subsidiaries remains strong. Fitch reported operating performance for the life subsidiaries has been strong, increasing 11% in 2016, driven primarily by positive impacts from actuarial assumption updates.

Rating Action: Penn Mutual (Affirmation)

On March 7, A.M. Best affirmed the 'A+' (Superior) financial strength ratings of Penn Mutual Life Insurance Co. (Penn Mutual). The outlook for the rating is stable. The rating action followed the completion of Penn Mutual's acquisition of Vantis Life Insurance Co.

According to A.M. Best, the affirmation reflects Penn Mutual's favorable business profile as a mutual life insurer operating primarily in the life and annuity market. A.M. Best said the company's operating results have historically benefited from the diversity of its products and distribution, although strain from new business has impacted statutory profitability in recent years. A.M. Best said it believes Penn Mutual's acquisition of Vantis will further enhance its diversity and will be accretive to revenues and earnings in the near term.

A.M. Best noted that Penn Mutual maintains a somewhat elevated level of investment-related risk (relative to similarly rated peers) with higher allocations to NAIC Class 2 bonds and alternative assets. However, the agency also stated the company has strong risk-adjusted capitalization and very good risk management practices.

Rating Action: Aegon (Affirmation)

On March 2, Fitch Ratings affirmed the 'A+' (Strong) insurer financial strength ratings of the primary North American life insurance subsidiaries of Aegon. The outlook is stable.

According to Fitch, Aegon's ratings reflect the group's diversification by product range, distribution, and geography. Fitch said the company has top 10 positions in most of its chosen markets.

Rating weaknesses cited by Fitch included Aegon's profitability, which is affected by pressure from pricing competition and low interest rates in the company's main markets. Fitch stated Aegon is shifting its business from high-margin, but capital intensive, businesses to lower-margin, capital-light fee-based businesses. Fitch said it views the strategy positively from a rating standpoint but the shift results in margin compression.

Rating Action: Great-West (Affirmation)

On March 17, Fitch Ratings affirmed the 'AA' (Very Strong) insurer financial strength rating of the operating subsidiaries of Great-West Lifeco (Great-West). The rating outlook is stable.

According to Fitch, the affirmation is based on Great-West's very strong capitalization, strong and stable core insurance earnings, and conservative investment profile. Fitch said Great-West has a conservative risk appetite as reflected in its lower-risk product design and strict asset-liability matching. Fitch also noted favorably that Great-West's liability profile is not heavily exposed to the equity markets.

Offsetting these positives in Fitch's opinion is the continued underperformance of Putnam Investments, which has strained overall earnings levels and caused fixed-charge coverage to remain at depressed levels.

LIMRA Reports U.S. Life Insurance Premium Increases by Three Percent in 2016

Total U.S. life insurance annualized premiums fell by five percent in the fourth quarter of 2016, resulting in full-year sales growth of three percent, according to LIMRA.

Whole life sales grew by nine percent for the year and accounted for the highest market share by product type at 36%.

Indexed UL sales were up by one percent and accounted for 21% of the market.

No-lapse UL sales increased by five percent and represented an eight percent market share.

VUL premiums were just six percent of total life sales and declined by 11% from the prior year.

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
(March 23, 2017)

M Carrier	FSR	Description	Category	Outlook	Eff Date
	A.M. Best				
John Hancock	A+	Superior	2nd of 15	Stable	3/11/2016
Nationwide	A+	Superior	2nd of 15	Stable	7/7/2016
Pacific Life	A+	Superior	2nd of 15	Stable	1/6/2017
Prudential	A+	Superior	2nd of 15	Stable	9/2/2016
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	12/13/2016
Symetra	A	Excellent	3rd of 15	Stable	11/22/2016
Voya-Security Life	A	Excellent	3rd of 15	Stable	11/17/2016
Sun Life of CA	A+	Superior	2nd of 15	Stable	12/2/2016
Delaware Life	A-	Excellent	4th of 15	Stable	2/24/2016

M Carrier	FSR	Description	Category	Outlook	Eff Date
	Standard & Poor's				
John Hancock	AA-	Very Strong	4th of 20	Stable	4/14/2016
Nationwide	A+	Strong	5th of 20	Stable	5/10/2016
Pacific Life	AA-	Very Strong	4th of 20	Stable	9/20/2016
Prudential	AA-	Very Strong	4th of 20	Stable	1/26/2017
TIAA	AA+	Very Strong	2nd of 20	Stable	11/21/2016
UNUM	A	Strong	6th of 20	Stable	5/18/2016
Lincoln National	AA-	Very Strong	4th of 20	Stable	10/24/2016
Symetra	A	Strong	6th of 20	Stable	7/19/2016
Voya-Security Life	A	Strong	6th of 20	Stable	3/8/2017
Sun Life of CA	AA-	Very Strong	4th of 20	Positive	3/13/2017
Delaware Life	BBB+	Good	8th of 20	Stable	5/6/2016

M Carrier	FSR	Description	Category	Outlook	Eff Date
	Moody's				
John Hancock	A1	Good	5th of 21	Stable	1/20/2017
Nationwide	A1	Good	5th of 21	Stable	1/20/2017
Pacific Life	A1	Good	5th of 21	Stable	11/21/2016
Prudential	A1	Good	5th of 21	Stable	11/14/2016
TIAA	Aa1	Exceptional	2nd of 21	Stable	2/9/2017
UNUM	A2	Good	6th of 21	Stable	10/28/2016
Lincoln National	A1	Good	5th of 21	Stable	12/30/2016
Symetra	A2	Good	6th of 21	Stable	10/14/2016
Voya-Security Life	A2	Good	6th of 21	Stable	12/16/2016
Sun Life of CA	Aa3	Excellent	4th of 21	Stable	1/20/2017
Delaware Life					

M Carrier	FSR	Description	Category	Outlook	Eff Date
	Fitch Ratings				
John Hancock	AA-	Very Strong	4th of 21	Stable	3/17/2017
Nationwide					
Pacific Life	A+	Strong	5th of 21	Stable	1/12/2017
Prudential	AA-	Very Strong	4th of 21	Negative	2/2/2017
TIAA	AAA	Exceptional	1st of 21	Stable	3/16/2017
UNUM	A	Strong	6th of 21	Stable	12/23/2016
Lincoln National	A+	Strong	5th of 21	Stable	2/17/2016
Symetra	A	Strong	6th of 21	Stable	1/3/2017
Voya-Security Life	A	Strong	6th of 21	Stable	9/20/2016
Sun Life of CA	AA-	Very Strong	4th of 21	Stable	7/19/2016
Delaware Life					