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## **Despite DOL rule, A.M. Best raises outlook for indexed annuity issuer**

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By Editorial Staff    *Thu, May 19, 2016*

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*'Positive rating actions could occur if [Athene] diversifies its product offerings into more creditworthy product lines, resulting in sales growth in products other than fixed indexed annuities,' A.M. Best said in a release.*

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A.M. Best has revised the outlooks to positive from stable and affirmed the financial strength rating (FSR) of A- (Excellent) and the issuer credit ratings (ICR) of “a-” of the members of Athene Group:

- Athene Annuity & Life Assurance Company
- Athene Annuity & Life Assurance Company of New York
- Athene Annuity and Life Company
- Athene Life Insurance Company of New York
- Athene Life Re Ltd.

Athene Group is the consolidating rating unit for the U.S. operating companies, which is focused on the fixed indexed and fixed annuity market segments, along with Athene Life Re Ltd. (ALRe) (Bermuda), its affiliated reinsurance company.

Concurrently, A.M. Best has revised the outlook to positive from stable and affirmed the ICR of “bbb-” of Athene Holding Ltd. (AHL) (Bermuda). AHL operates as the holding company for the U.S. and Bermuda operations.

The outlook revision for Athene Group is based on strong risk-adjusted capitalization, which was further enhanced by additional cash capital contributed to the company in 2015, a trend of generally strong profitability following its acquisition of Aviva, and recent sales growth through retail initiatives.

A.M. Best considers any potential remaining integration issues relating to the Aviva acquisition as unlikely and immaterial to the company’s future financial performance. The company is led by a strong management team with proven ability to grow capital both organically and through new capital generation, a trend that has not abated since the company’s inception.

The company’s strong trend of earnings and capital growth has enabled AHL and its operating companies to strengthen their balance sheets while providing sufficient capital support for retail growth and new product development.

A.M. Best also notes that the quality of the group's capital is high, as the capital structure currently employs no financial leverage. The company recently filed an S-1 registration statement with the Securities and Exchange Commission regarding a planned future initial public offering.

Partially offsetting these positive rating factors are the pressures associated with managing assets in an extended low interest rate environment, as well as the embedded exposures present in changing credit cycles. Additionally, the pending Department of Labor fiduciary rule has the potential to result in higher compliance costs and may provide a sales headwind going forward, particularly for fixed indexed annuities.

Positive rating actions could occur if the company diversifies its product offerings into more creditworthy product lines, resulting in sales growth in products other than fixed indexed annuities. Continued positive trends in top-line and bottom-line earnings could also result in a positive rating outcome.

Negative rating actions could occur if the company experiences operating losses through poor investment performance or if the company holds lower levels of risk-based capitalization at the group or operating entity level, which could in turn lower A.M. Best's view of the company's capital adequacy.

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