Honorable Mention

By Kerry Pechter *Thu, Dec 13, 2018*

*A.M. Best affirms Ohio National's A+ rating, despite lawsuits; $24 million settlement in BB&T Bank excessive fee case; AIG names new chief financial officer; E*Trade offers online investing tool; Cigna expands its financial wellness program; Reinsurance deal with Athene will fund Lincoln share repurchases; Empower finds appetite for open multiple employer plans.*

A.M. Best affirms Ohio National's A+ rating, despite lawsuits

A.M. Best has left the financial strength rating of A+ (Superior) and the long-term issuer credit ratings of "aa-" of The Ohio National Life Insurance Company and its wholly owned subsidiary, Ohio National Life Assurance Corporation unchanged following a series of recent developments, including litigation initiated by certain distributors related to the company's recent exit from the annuity market, as well as three notable senior management changes.

The stable outlook of these Credit Ratings (ratings) is also unchanged. Both companies are domiciled in Cincinnati, OH.

In September, the company stopped accepting applications for the purchase of annuity products to focus its resources on its core life insurance and disability income businesses. Subsequently at the end of September, the company announced that it was terminating payments of trail commissions on certain of its variable annuity products.

During this time, three members of senior management left the company, including the recently elected president and chief operating officer.A.M. Best said it has met with the chairman and the current senior management team to discuss these recent events and evaluate any potential impact to the group's current ratings.

Recent events are not expected to have a meaningful near-term impact on A.M. Best's view of the credit profile of the Ohio National Life Group, the ratings firm said, adding that it will monitor the impact of those and any future developments and take any necessary actions.

$24 million settlement in BB&T Bank excessive fee case

On November 30, BB&T Bank, the defendant, and participants in its 401(k) plan, the plaintiffs, have reached a $24 million settlement after three years of litigation in the U.S. District Court for the Middle District of North Carolina. Plan participants had accused the bank of charging plan participants excessive fees.

Under the terms of the preliminary settlement, BB&T Corp. will create a $24 million to reimburse plaintiffs, along with non-monetary relief. BB&T admitted no wrongdoing or liability. Law firms Schlichter Bogard & Denton; Nichols Kaster; and Puryear & Lingle represented the plaintiffs.

In the case, Robert Sims, et al v. BB&T Corporation, et al., employees and retirees of BB&T sued for alleged breach of fiduciary duty under the Employee Retirement Income Security Act (ERISA).

In the initial complaint, filed on September 4, 2015 in the Court of Judge Catherine C. Eagles, plaintiffs claimed that BB&T selected and retained in the plan high cost and poor performing investments, incurred unreasonable administrative expenses, engaged in prohibited transactions with both fiduciaries and parties in interest, and failed to monitor and remedy the breaches of other plan fiduciaries.

As a part of the settlement, BB&T agreed to, among other reforms, engage a consulting firm to conduct a request for proposal for investment consulting firms that are unaffiliated with BB&T and an independent consultant to provide consulting services to the plan. BB&T will also conduct a request for proposal for recordkeeping services.

During the two-year period following final approval of the settlement BB&T will rebate to plan participants any 12b-1 fees, sub-transfer agent fees, or other monetary compensation that any mutual fund company pays or extends to the plan’s recordkeeper based on the plan’s investments.

Schlichter Bogard & Denton, has filed over 30 such complaints and secured 14 settlements on behalf of employees since 2006. In 2009, the firm won the first full trial of a 401(k) excessive fee case against ABB. On May 18, 2015, the firm won a 9-0 decision at the U.S. Supreme Court in Tibble v. Edison, the only 401(k) excessive fee case to be argued in the high court.

AIG names new chief financial officer

American International Group has appointed Mark D. Lyons to the role of executive vice president and chief financial officer (CFO). He succeeds Sid Sankaran, who will remain at AIG in an advisory capacity through the year-end reporting process for fiscal year 2018.

Lyons will serve on the AIG Executive Leadership Team and will report directly to Brian Duperreault, President and Chief Executive Officer of AIG. Lyons will remain Chief Actuary, General Insurance, until a successor is named.

Lyons joined AIG in 2018 from Arch Capital Group, Ltd., where he served as executive vice president, CFO and treasurer since 2012. Prior to joining Arch, Mr. Lyons held various positions at Zurich U.S., Berkshire Hathaway and AIG.

Lyons holds a B.S. in mathematics from Elizabethtown College, and completed the Executive Program at the Kellogg School of Management of Northwestern University. He is a Member of the American Academy of Actuaries and is an Associate of the Casualty Actuarial Society.

E*Trade offers online investing tool

E*TRADE Financial Corporation has announced a new educational tool that allows self-directed investors to choose from three exchange-traded fund (ETF) or three mutual fund portfolios, based on the investor's self-identified risk tolerance, time horizon, and preference for active or passive investing. Highlights include:

- Three non-proprietary ETF or mutual fund bundles categorized as either conservative, moderate, or aggressive.
- A selection of commission-free, low-expense-ratio ETFs or no-load, no-transaction-fee mutual funds in each portfolio.
- Jargon-free descriptions that highlight recognizable company names to make investing quick and easy to understand.

Portfolios can be selected and purchased with a $2,500 minimum for ETF portfolios and a $1,000 minimum for mutual fund portfolios.

Cigna expands its financial wellness program

Cigna, the global health service giant, is expanding the My Secure Advantage (MSA) financial wellness program to group insurance customers effective January 1, 2019. The program includes "money coaching," identity theft protection and resolution services, and resources for preparing wills and other legal documents, according to a release this week.

The MSA program will now be standard for most Cigna Group Insurance customers with life, accident, disability, accidental injury, critical illness and hospital care insurance policies. At no additional cost, group customers and household members can use these services:

- Thirty days of money coaching from an experienced financial professional with the

option to continue the relationship on a self-pay basis.
- Online tools and educational webinars to assist with financial planning.
- Resources and templates to create and execute state-specific wills, powers of attorney and a variety of other important legal documents.
- A 30-minute complimentary legal consultation with a licensed practicing attorney, and discounted attorney fees if additional time is desired.
- Discounts on tax planning and preparation services.
- Identity theft services including consultation with a fraud resolution professional.

The MSA program is made available through Cigna’s relationship with CLC Inc., a provider of legal and financial programs with a national network of more than 20,000 attorneys, mediators and financial professionals. CLC, Inc. is solely responsible for their products and services.

The program is not insurance and does not provide reimbursement for financial losses. The program is not currently available under policies insured by Cigna Life Insurance Company of New York.

Reinsurance deal with Athene will fund Lincoln share repurchases

Lincoln Financial Group has agreed with a subsidiary of Athene Holding Ltd. to reinsure approximately $7.7 billion of Lincoln Financial’s in-force fixed and fixed indexed annuity products, according to a news release this week.

The transaction was dated December 7, 2018 and is effective as of October 1, 2018. The agreement is structured as a modified coinsurance treaty with counterparty protections around investment guidelines and overcollateralization established to meet Lincoln Financial’s risk management objectives.

Lincoln will use most of the capital released from the transaction, including a ceding commission paid by Athene, to buy back $500 million worth of shares through an accelerated share repurchase program. The transaction is expected to be accretive to Lincoln Financial’s earnings per share in 2019.

Lincoln Financial will retain account administration and recordkeeping of the annuity policies. The transaction will not affect Lincoln Financial’s relationships or commitments to distribution partners and policyholders.

Goldman Sachs & Co. LLC acted as financial advisor to Lincoln Financial.

Empower finds appetite for open multiple employer plans

Sixty-six percent of small business owners who do not offer a retirement plan today are likely to consider an open Multiple Employer Plan (MEP), according to a new survey from Empower Retirement.

Open MEPs are defined contribution plans created by a plan service provider and offered to more than one unrelated employer. Two separate proposals, one in the U.S. House and one in the Senate, would broaden the scope of open MEPs by allowing service providers to offer multiple employers to join a single plan.

Almost all of the business owners who expressed interest in open MEPs said the biggest advantage in offering their employees a retirement plan is “it’s the right thing to do.” Additionally, 59% of employers interested in open MEPs said other advantages to offering retirement plans would be employee retention and attracting talent.

However, among the top reasons why small businesses don’t offer a retirement plan to employees is because their company is too small, survey respondents said.

Empower’s survey also reveals that 50% of small businesses associate open MEPs as coming with help from financial professionals.

A new paper by the Empower Institute “Open MEPs: A promising way to narrow the coverage gap” lays out more details from the survey.

Under the legislative proposals, open MEPs would allow unaffiliated small employers without the ability to administer their own plans to enroll their employees into professionally managed workplace plans that offer the economies of scale found in the plans large companies offer.

The impact of plan access on projected income replacement at retirement is significant. Participants who are eligible for a defined contribution plan and actively contribute have a median income replacement percentage of 79% compared to 45% for those without access.

At small businesses in the U.S. with fewer than 100 employees, less than half of workers have access to a defined contribution retirement plan, such as a 401(k). But according to the Empower survey,1 employees are interested in workplace retirement savings plans. Among the small businesses where owners are interested in open MEPs, 39% said employees expressed interest in having a workplace retirement plan.