Honorable Mention

By Editorial Staff *Thu, Dec 20, 2018*

Fed raises benchmark rate by 25 basis points; A.M. Best affirms the 'A' ratings of AXA Equitable Life; DPL Financial's insurance platform for RIAs to offer no-commission Security Benefit annuity; Contaminated baby powder could lead to ERISA suit against Johnson & Johnson; BNY Mellon to buy back more shares; Single retirees need retirement advice: LIMRA SRI.

Fed raises benchmark rate by 25 basis points

The Federal Reserve raised its benchmark interest rate on Wednesday and signaled that it expects additional rate increases next year in a display of measured confidence in the economy that came despite financial market worries and political pressure to suspend rate increases, the *New York Times* reported.

Jerome H. Powell, the Fed's chairman, emphasized the continued strength of economic growth at a news conference after the announcement. He acknowledged new strains in recent months, including weaker growth in Europe and China and a downturn in stock prices, and he said the Fed expects slightly slower domestic growth and fewer rate increases next year.

But he defended the Fed's decision to increase rates. "We think this move was appropriate for what is a very healthy economy," Mr. Powell said. Mr. Powell's remarks were described by one analyst as a dose of "tough love" for financial markets.

Mr. Powell insisted on the wisdom of the Fed's plans to raise borrowing costs while investors dumped their holdings. Stock prices fell when the Fed released its policy statement at 2 p.m., and dropped again as Mr. Powell spoke. The S&P 500 was down 1.5% on the day and is now down 6% on the year.

The decision to raise rates for the fifth consecutive quarter, by a unanimous vote of the Federal Open Market Committee, amounted to a rejection of the view that the Fed should continue to stimulate the economy in the hope of increasing employment and wage gains. The benchmark rate will now sit in a range from 2.25% to 2.5%, abutting the lower end of what Fed officials consider the neutral zone: the region in which rates would neither stimulate nor restrain the economy.

"Policy at this point does not need to be accommodative," Mr. Powell said of that milestone.

A.M. Best affirms the ‘A’ ratings of AXA Equitable Life

A.M. Best has removed from under review with developing implications and has affirmed the Financial Strength Rating (FSR) of A and the Long-Term Issuer Credit Rating (Long-Term ICR) of “a+” of AXA Equitable Life Insurance Company.

In March 2018, the ratings of AXA Financial, Inc. and its life insurance subsidiaries were placed under review with developing implications following AXA S.A.’s announcement that the group had entered into an agreement to acquire 100% of XL Group Ltd (XL) for a cash consideration of $15.3 billion (EUR 12.4 billion).

In May 2018, AXA S.A. executed a partial IPO of AXA Equitable Holdings, Inc., a new U.S. holding company with and into which the former AXA Financial, Inc. was merged.

AXA S.A. completed this partial IPO of the U.S. operations on September 12, 2018 and made a secondary offering of AXA Equitable Holdings, Inc. common stock in November 2018, allowing A.M. Best to conclude its assessment of the impact of these events.

Regarding AXA Equitable Holdings’ variable annuity business, A.M. Best said:

While AXA Equitable intends to maintain its very strong risk-adjusted capital profile going forward, it remains exposed to equity market pressures on both sides of the balance sheet.

These pressures emanate from its investment in AB and through its variable insurance products with guaranteed benefits, as well as potential volatility in revenue from asset fees as a result of market value changes in its large separate account book of business and derivative activity.

A.M. Best notes that the exposure from VA guarantees is managed effectively through reinsurance and hedging programs. In recent years, AXA Equitable has developed and introduced new and innovative products with the objective of offering a more balanced and diversified product portfolio while reducing product design risk. More recently, the company is looking to expand its product offering with product solutions tailored to the employee benefits marketplace.

According to A.M. Best, the new ratings reflect AXA Equitable’s balance sheet strength, which A.M. Best categorizes as very strong, as well as its strong operating performance, favorable business profile and appropriate enterprise risk management (ERM).

AXA Equitable’s rating affirmations are attributable to its very strong and improved risk-adjusted capitalization, strong financial flexibility, sophisticated risk management practices and its position as a leading variable annuity (VA) and universal life writer and global asset manager.

A.M. Best notes that in advance of AXA Equitable Holdings, Inc.'s partial IPO earlier this year, AXA S.A. made a capital contribution of more than $2 billion to the U.S. operations, resulting in a material improvement in its stand-alone risk-adjusted capital position.

AXA Equitable also benefits from a diversified and productive distribution model, which includes a recently increased ownership stake in AllianceBernstein (AB), a large publicly traded global investment management firm.

Also, AXA Equitable post-IPO continues to maintain an appropriate ERM framework with a focus on hedging strategies to protect its statutory and economic capital.

In anticipation of being a stand-alone U.S. entity, the company has updated its economic capital model to be more U.S.-centric by shifting away from Solvency II framework to a U.S. economic and risk-based capital/contingent tail expectation-centric capital model.

Additionally, asset risk consists of a well-diversified portfolio of invested assets, which are considered to be well managed.

A.M. Best notes that a deviation of methodology applies to the determination of the ratings of the following four subsidiaries of AXA Equitable. These subsidiaries were afforded rating enhancement from AXA Equitable despite the fact that it is not currently the lead rating unit as defined by Best's Credit Rating Methodology (BCRM).

AXA S.A. (the ultimate parent), which is currently the lead rating unit for the group, has publicly made its intention clear to divest its majority interest in the U.S. operations over the near term, at which point it is A.M. Best's expectation that AXA Equitable will become the lead rating unit, enabling it to afford rating enhancement to these four subsidiaries as per BCRM:

- The FSR of A (Excellent) and the Long-Term ICR of "a" have been affirmed and assigned a stable outlook for MONY Life Insurance Company of America (Phoenix, AZ), another subsidiary of AXA Equitable.
- The FSR of B+ (Good) and the Long-Term ICR of "bbb-" have been affirmed and assigned a stable outlook for AXA Corporate Solutions Life Reinsurance Company (Delaware).
- The FSR of A (Excellent) and the Long-Term ICR of "a" have been affirmed and a

stable outlook assigned for U.S. Financial Life Insurance Company (Cincinnati, OH).
- The ratings have been removed from under review with developing implications and the FSR has been downgraded to B++ (Good) from A- (Excellent) and the Long-Term ICR downgraded to “bbb” from “a-” and assigned a stable outlook for AXA Equitable Life and Annuity Company (Denver, CO).

DPL Financial’s insurance platform for RIAs to offer no-commission Security Benefit annuity

DPL Financial Partners, the insurance product sales platform for registered investment advisors (RIAs), has agreed to begin offering a four-year version of Security Benefit’s Advanced Choice fixed-rate annuity to RIAs nationwide.

Advanced Choice is Security Benefit’s multi-year guarantee rate annuity (“MYGA”) product and the four-year guarantee period version is being offered commission-free exclusively through DPL, a release by the two companies said.

Security Benefit’s Advanced Choice Annuity can be purchased as an IRA, Roth IRA, 403(b) rollover or non-qualified contract. The product is available now through DPL.

Contaminated baby powder could lead to ERISA suit against Johnson & Johnson

Zamansky LLC, a Manhattan-based law firm specializing in securities and investment fraud, is investigating Johnson & Johnson Inc. for potential violations of the federal Employee Retirement Income Security Act (“ERISA”) related to the recent lawsuit filed against Johnson & Johnson over possible asbestos contamination of its iconic baby powder.

The firm wants to find out if Johnson & Johnson failed in its ERISA-mandated fiduciary duties by continuing to offer J&J stock as an investment option to the participants in the J&J Retirement Savings plan while it knew of liability exposure related to the powder.

On December 14, 2018, Reuters reported that internal Johnson & Johnson documents produced in a lawsuit involving cancer-causing asbestos found in baby powder reflect that company senior officers and lawyers knew for many years about the contaminated talc.

The documents showed that raw talc and finished powders sometimes tested positive for asbestos, and company executives, line managers, scientists, doctors and lawyers fretted over the problem and how to address it while failing to disclose the problem to regulators or the public while discussing it internally. These revelations caused Johnson & Johnson stock to fall by 10% in mid-December.

BNY Mellon to buy back more shares

BNY Mellon has received approval from the Federal Reserve and its board of directors to immediately increase its repurchase program of common stock by up to an additional $830 million through the second quarter of 2019. These repurchases augment the company's repurchase of $2.4 billion of common stock previously announced on June 28, 2018.

As of September 30, 2018, BNY Mellon had $34.5 trillion in assets under custody and/or administration, and $1.8 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK).

Single retirees need retirement advice: LIMRA SRI

The clichéd images of white-haired couples combing beaches together or canoodling in his-and-hers Adirondack chairs don't apply to the millions of single retirees, but those soloists need just as much help from advisors as couples do, according to LIMRA Secure Retirement Institute.

There are 7.6 million single pre-retiree and retiree households (aged 55 and over) with assets of $100,000 dollars or more, according to LIMRA SRI. In total, U.S. post-retirees have about $6 trillion in savings. Only 38% of single retiree households work with an advisor.

Single retirees require special attention in retirement planning, a LIMRA release said. As a group, they are measurably less confident than married retirees. Only about two-thirds (64%) are confident that they "can live the lifestyle they want" in retirement, compared with 71% of retirees in couples.

Four in ten single retirees believe their savings won't last if they live to age 90, but only about one third of married or partnered retirees feel the same way, the release said. Just 57% of single retirees are living the retirement they pictured, compared with almost 70% of married retirees.