
Honorable Mention

By Editorial Staff *Thu, Jun 25, 2020*

After the big deal, AM Best affirms ratings of Jackson National and Athene; Not many people talk to advisers about decumulation: Allianz Life; TIAA and Savi partner for student debt resolution; Fidelity nears settlement with its own plan participants; MetLife inks first U.K. longevity reinsurance deal.

After the big deal, AM Best affirms ratings of Jackson National and Athene

Jackson National Life Insurance Company's financial strength and long-term issuer credit ratings remained "A" (Excellent) and "a+," respectively, in the wake of its recently announced investment and reinsurance transactions with Athene Holding Ltd., according to the ratings agency AM Best.

AM Best has commented that the Credit Ratings (ratings) and outlooks of the members of Athene Group (Athene) remain unchanged following the recent announcement of its fixed annuity reinsurance agreement.

The agreement adds \$27 billion of fixed deferred and fixed indexed annuity statutory reserves from Jackson National Life Insurance Company and includes a \$1.25 billion ceding commission, with a net \$29 billion in assets transferred to Athene.

AM Best also affirmed the ratings of Jackson's wholly owned subsidiary, Jackson National Life Insurance Company of New York, and its direct parent, Brooke Life Insurance Company. Jackson National Life is headquartered in Lansing, MI.

On June 18, 2020, JNL's parent company, Britain's Prudential plc (Prudential), announced an agreement to reinsure JNL's \$27.6 billion IFRS book of fixed and fixed indexed annuity business to Athene Life Re Ltd, a subsidiary of Athene Holding Ltd.

Concurrently, Prudential (no relation to Prudential Financial in the U.S.) also announced that it has reached an agreement with Athene Holding Ltd for its subsidiary, Athene Life Re Ltd, to invest \$500 million in Prudential's U.S. holding company in exchange for an 11.1% economic interest (9.9% voting interest) in Prudential's U.S. business.

Athene's investment will be deployed in JNL, and the net impact of the capital investment and the reinsurance transaction is expected to be accretive to absolute and risk-adjusted capitalization. AM Best will monitor the execution of the announced transactions and Prudential's future strategic plans for JNL in order to determine their impact on JNL's

ratings.

AM Best views this deal as potentially accretive to Athene's business profile by expanding and increasing the diversification of earnings sources, dependent on the execution and integration of the block.

As part of the transaction, and expecting to close in July 2020, Athene will invest \$500 million in Prudential plc's U.S. holding company in exchange for an 11.1% economic interest (9.9% voting interest) in Prudential plc's U.S. business.

The outlooks of Athene Holding Ltd.'s Long-Term Issuer Credit Rating (Long-Term ICR) of "bbb", its existing Long-Term IRs and the Long-Term ICRs of its operating insurance subsidiaries were affirmed with a positive outlook on May 22, 2020 and remain unchanged.

Not many people talk to advisers about decumulation: Allianz Life

Even before the recent equity market turmoil, more than half (55%) of non-retirees said they were worried they won't have enough saved for retirement and 31% said they were way too far behind on retirement goals to be able to catch up in time.

Yet only 12% said "setting long-term financial goals" was their top priority and merely 6% identified developing a formal plan with an adviser as their top priority, according to a survey conducted in January 2020 by Allianz Life.

The upshot is that "many financial professionals may be missing opportunities to shift conversations about retirement from accumulation to protection," an Allianz Life release said.

The 2020 Retirement Risk Readiness Study from Allianz Life Insurance Company of North America (Allianz Life) surveyed three categories of Americans:

- Pre-retirees (those 10 years or more from retirement);
- Near-retirees (those within 10 years of retirement); and
- Retirees

While retirees were fairly confident about how long their money will last, six in 10 non-retirees said running out of money before they die is one of their biggest concerns. But only 27% of non-retirees who have advisers said they have discussed longevity risk and fewer than 15% had shared their financial insecurities about retirement with their advisers.

Before the recent market turmoil, 49% of all respondents identified a stock market drop as the greatest threat to their retirement income. But fewer than 30% of Americans with advisers said they had discussed market risk, including only 22% of those within 10 years of retirement.

Inflation-related anxiety

Nearly half (48%) of those surveyed viewed inflation as a threat in retirement. More than half (59%) were worried that the rising prices will prevent them from enjoying their retirement. Sixty-seven percent of those 10 years or more from retirement (versus 59% for near-retirees and 40% for retirees) expressed that concern. Only around two in 10 are talking about inflation with their advisers.

Allianz Life conducted an online survey, the 2020 Retirement Risk Readiness Study, in January 2020 with a nationally representative sample of 1,000 individuals age 25+ in the contiguous USA with an annual household income of \$50k+ (single) / \$75k+ (married/partnered) OR investable assets of \$150k.

TIAA and Savi partner for student debt resolution

TIAA, a leading financial services provider, today announced that it is working with social impact technology startup Savi to make it easier for nonprofit institutions to offer a meaningful student debt relief solution to their employees.

The companies together launched a student debt solution designed to help employees of nonprofit organizations reduce their monthly student loan payments immediately, and to qualify over time for relief from the balance of their federal student loans by enrolling in the federal Public Service Loan Forgiveness (PSLF) program.

TIAA and Savi conducted a pilot of the solution from July 2019 through March 2020 with seven nonprofit institutions, four in higher education and three in healthcare. Within that period, employees who signed up for the solution were on track to save an average of \$1,700 a year in student debt payments. Some employees' payments were cut in half.

In addition, employees had an average projected forgiveness of more than \$50,000 upon successful completion of 120 months in the PSLF program. The total projected forgiveness from the pilot exceeds \$53,000,000 to date.

Fidelity nears settlement with its own plan participants

The nation's largest retirement plan recordkeeper, Fidelity Investments, is close to settling a suit in which participants in its own 401(k) plan said they were charged excessive recordkeeping fees, NAPANet reported this week.

In October 2018, plan participants, as plaintiffs, accused their employer of violating its fiduciary duties by using the plan "as an opportunity to promote Fidelity's mutual fund business at the expense of the Plan and its participants."

The Fidelity Retirement Savings Plan had nearly \$15 billion in assets and covered 58,000 participants at the end of 2016, according to the suit.

Judge William G. Young of the U.S. District Court for the District of Massachusetts ruled in late March that

"Fidelity has breached its duty of prudence with regard to its failure to monitor the recordkeeping expenses, and the class members may recover under the equitable doctrine of surcharge," explaining that, "as with the failure to monitor the proprietary mutual funds, the Plaintiffs at trial will bear the burden of proving the exact extent of loss (an exercise that may or may not be trivial given the parties' stipulations), while Fidelity will bear the burden of showing this lack of monitoring has not caused this loss."

Fidelity "...does not dispute that the Plan Fiduciaries declined to monitor recordkeeping expenses but argues that it has not violated its fiduciary duties because all expenses were returned to the Plan through the mandatory Revenue Credit, and thus netted to zero," wrote Judge Young. The "argument rests on the proposition that there is no breach of a duty to be cost-conscious where there are no costs."

MetLife inks first U.K. longevity reinsurance deal

Metropolitan Tower Life Insurance Co., a subsidiary of MetLife, Inc., has announced its first United Kingdom longevity reinsurance transaction with Pension Insurance Corporation plc. Metropolitan Tower will provide reinsurance to PIC for longevity risk associated with about £280 million of pension liabilities.

"With this transaction, MetLife is establishing itself as a reinsurance solution for direct insurers in the U.K.," said Graham Cox, executive vice president and head of Retirement & Income Solutions at MetLife, in a release.

“While this is MetLife’s initial step into the U.K. longevity reinsurance market, our long history and mortality expertise position us well for the future,” he said. “In 2019, there were more than £40 billion of U.K. pension risk transfer transactions completed.”

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