
Honorable Mention

By Editorial Staff Thu, Jul 16, 2020

COVID-19 exposes vulnerable populations: Prudential; Global Atlantic's ratings unchanged by KKR deal; Vanguard introduces socially conscious bond ETF.

COVID-19 exposes vulnerable populations: Prudential

People of color, women, younger generations and small business owners have been disproportionately affected financially by the COVID-19 pandemic so, according to Prudential's 2020 Financial Wellness Census. More than half of Americans reported damage to their financial health.

Nearly one-in-five respondents said their household income was cut by half or more in the months following the pandemic's outbreak, with 17% losing employer contributions to a retirement plan, 14% losing health insurance and 10% losing group life insurance benefits, eliminating critical safety nets, according to the census, which was conducted in May 2020.

One-third (34%) of those with household incomes under \$30,000 reported being unemployed, only 8% of those with household income over \$100,000 reported being unemployed. The overall unemployment rate was 17%.

Gig workers, LGBTQ Americans and those employed in the retail industry were more likely than average to say that their household income was cut in half or more.

A Prudential survey in December 2019 showing Americans were financially on the upswing. More than half (52%) ranked themselves financially healthy by objective measures, up from 46% in Prudential's first Financial Wellness Census conducted in October 2017.

Regardless of household income, the survey revealed nearly half of Americans (48%) are worried about their financial future, up from 38% just a few months earlier.

Census respondents said they would like to see more affordable health care, more flexible work options and more government support for small businesses. Those with lower incomes want affordable health care and universal health care coverage, better government support of small businesses and the unemployed, a higher minimum wage and more protections for workers.

Americans most often look to the federal government for financial assistance in times of

crisis (32%), the data showed, followed by family and friends (28%), then state and local governments (27% and 17%, respectively).

The workplace benefits Americans most value include retirement savings plans, paid time off, and comprehensive health care and prescription drug coverage, according to the census.

Global Atlantic's ratings unchanged by KKR deal

The financial strength and credit ratings of Global Atlantic Group remain unchanged after KKR & Co. (KKR) announced its intention to acquire a controlling interest in these companies, according to AM Best, the credit rating agency.

The group maintains its Financial Strength Rating (FSR) of A (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of "a". The group includes:

- Commonwealth Annuity and Life Insurance Company (Brighton, MA), and its subsidiaries
- First Allmerica Financial Life Insurance Company (Brighton, MA)
- Forethought Life Insurance Company (Indianapolis, IN)
- Accordia Life and Annuity Company (Des Moines, IA), and its affiliates
- Global Atlantic Re Limited and Global Atlantic Assurance Limited

AM Best also comments that the Long-Term ICRs of "bbb" of Global Atlantic Financial Group Limited, the ultimate parent holding company, and its wholly owned subsidiaries Global Atlantic Financial Life Limited and Global Atlantic (Fin) Company (Finco) remain unchanged.

All companies are domiciled in Bermuda unless otherwise specified. Additionally, AM Best is taking no rating action on the Long-Term Issue Credit Rating of "bbb" on the \$150 million 8.625% senior unsecured notes, due 2021, initially issued by Forethought Financial Group, Inc. and assumed by Finco.

The outlook for these Credit Ratings (ratings) is stable. The ratings of Global Atlantic were affirmed on Feb. 26, 2020 (see related [press release](#)).

KKR is a leading global investment management firm that was founded in 1976 as Kohlberg, Kravis, Roberts & Co. To date, KKR has completed over 280 private equity transactions. Global Atlantic is expected to continue to operate under its existing structure as a subsidiary of KKR with the management team and all legal entities intact. AM Best expects

that Global Atlantic Financial Group Limited may benefit from enhanced financial flexibility and access to new sources of capital under KKR.

Total consideration will be 100% of book value at the time of close. The acquisition is all cash and the transaction is expected to close in the first quarter of 2021, pending required regulatory approvals and the satisfaction of other customary closing conditions.

Vanguard introduces socially conscious bond ETF

Vanguard today filed a preliminary registration statement with the Securities and Exchange Commission to launch Vanguard ESG U.S. Corporate Bond ETF. The low-cost, broadly diversified ETF will be Vanguard's first ESG-focused fixed income product for U.S. investors and complements Vanguard's existing equity ESG ETFs and mutual funds. The fund is expected to launch in September and Vanguard's Fixed Income Group will serve as the fund's advisor.

ESG investing continues to gain traction around the world. U.S. investors hold more than \$321 billion in assets in ESG mutual funds and ETFs and industry-wide assets for the fixed income indexed market doubled in 2019 to approximately \$1.3 billion. Vanguard ESG U.S. Corporate Bond ETF will complement Vanguard's existing \$10.6 billion U.S. equity ESG product suite and offer a diverse fixed income option for investors.

May 2000 - Vanguard launches its first ESG offering, Vanguard FTSE Social Index Fund (VFTAX), the largest ESG index fund in the U.S with \$7.9 billion in assets.

September 2018 - Two U.S.-domiciled ESG ETFs are launched, Vanguard ESG U.S. Stock ETF (ESGV) and Vanguard ESG International Stock ETF (VSGX) with \$1.6 billion and \$995.5 million in assets respectively.

April 2019 - Vanguard introduces an actively managed equity ESG fund, Vanguard Global ESG Select Stock Fund (VESGX), managed by Wellington Management Company LLP with \$130.9 million in assets.

Vanguard ESG U.S. Corporate Bond ETF will have an estimated expense ratio of 0.12% and seek to track the Bloomberg Barclays MSCI US Corporate SRI Select Index, a rules-based index that captures a broad cross-section of the U.S. corporate bond market and screens out the bonds of companies whose activities that do not meet specific ESG criteria.

Bloomberg L.P. and MSCI have partnered in managing bond ESG indexes for over eight

years, and MSCI has managed ESG data for nearly 50 years. Importantly, there are consistent and established methods for screening corporate bonds in accordance with ESG criteria—other areas of the bond market, such as government-backed or mortgage-backed debt securities do not have such procedures in place.

- The index methodology includes using the parent Bloomberg Barclays U.S. Corporate Index as a baseline, with Bloomberg and MSCI applying robust exclusion screens for the bonds of companies that the Index provider determines are involved in, and/or derive threshold amounts of revenue from certain activities or business segments related to: Adult entertainment
- Alcohol
- Gambling
- Tobacco
- Nuclear weapons or power
- Controversial or conventional weapons
- Civilian firearms
- Genetically modified organisms
- Thermal coal, oil, or gas

The Index also excludes the bonds of any company that, as determined by the Index provider, does not meet certain standards defined by the index provider's ESG controversies assessment, including the United Nations Global Compact Principles, as well as companies that fail to have at least one woman on their boards or do not report board diversity.

Additionally, the ESG screens are continually assessed and applied to the investible corporate bond market to determine appropriate, diverse representation and select highly liquid bonds to promote a more liquid ETF for investors to trade in the market.

Vanguard's Fixed Income Group, which oversees more than \$1.8 trillion in global assets, will serve as the advisor for Vanguard ESG U.S. Corporate Bond ETF.

Vanguard offers 18 U.S.-domiciled fixed income ETFs with more than \$228 billion in assets.⁵ The firm launched its first ETF in 2001 and today offers 80 ETFs to U.S. investors totaling more than \$1 trillion in client assets.