The Bucket

By Editorial Staff *Wed, Sep 5, 2012*

Late-breaking item on The Hartford's sale of its retirement plans business to MassMutual. The Hartford’s institutional retirement business includes 33,000 mainly DC plans with $54.9 billion in AUM and over 1.5m participants. Also, items from Symetra and ING Group, which is selling its stake in Capital One, and MetLife, which has changed its income annuity.

The Hartford to sell retirement plans business to MassMutual

The Hartford has agreed to sell its Retirement Plans business to Massachusetts Mutual Life Insurance Company (MassMutual) for a “cash ceding commission” of $400 million, subject to adjustment at closing, according to a release yesterday. The sale, structured as a reinsurance transaction, is expected to close by the end of 2012, subject to regulatory approvals and satisfying other customary closing conditions.

The Hartford’s chairman, president and CEO Liam E. McGee, said: “The agreement marks the second of three planned business sales as we continue to make good progress executing on our strategy.” The Hartford expects the transaction to have no material impact on its GAAP financial results and to benefit net statutory capital by approximately $600 million, including the ceding commission and a reduction in required risk-based capital, on closing.

The Hartford’s Retirement Plans business is primarily a defined contribution business with $54.9 billion in assets under management as of June 30, 2012. The business serves more than 33,000 plans with more than 1.5 million participants, and has a strong presence in the small to mid-sized corporate 401(k) and tax-exempt markets. It also provides administrative services for defined benefit programs. As a result of the agreement, The Hartford’s Retirement Plans employees will become part of MassMutual’s Retirement Services Division.

The Hartford will continue to sell new retirement plans during a transition period, and MassMutual will assume all expenses and risk for these sales through a reinsurance agreement. Between now and the close of the transaction, there are no planned changes with respect to the day-to-day interactions or processes between The Hartford and its Retirement Plans’ distribution partners, plan sponsors and customers.

The Hartford’s financial advisors for the divestiture are Greenhill & Co. and Goldman, Sachs & Co. and the company’s legal advisors are Sidley Austin LLP.

Fitch: No immediate impact on Hartford ratings

Fitch Ratings says today’s announcement regarding Hartford Financial Services Group, Inc.’s (HFSG) planned sale of its retirement plans business has no immediate impact on its ratings.

HFSG has reached an agreement to sell its retirement plans business to Massachusetts Mutual Life Insurance Company (Mass Mutual) for a cash ceding commission of approximately $400 million. The transaction is expected to close by the end of 2012, subject to regulatory approval. The sale will have essentially no impact on HFSG's GAAP net income but will have a positive net statutory capital impact for Hartford Life Insurance Company of approximately $600 million.

Fitch views the sale as another step in HFSG's go-forward strategy to focus on property/casualty commercial and consumer markets, group benefits, and mutual funds businesses. To date, individual annuity has been placed into run-off and the company has reached agreements to sell Woodbury Financial Services and its individual annuities' new business capabilities consisting of the product management, distribution and marketing units, as well as the suite of products currently being sold. HFSG continues to pursue divestiture options for its individual life business. Favorably, a successful execution of the strategic plan to sell these noncore businesses should improve HFSG's financial flexibility, with sales proceeds increasing holding company cash that could potentially be used to reduce debt.

Fitch already maintains separate Insurer Financial Strength (IFS) ratings on HFSG's life and property/casualty companies that reflect each businesses respective stand-alone financial profiles. HFSG's life insurance subsidiaries maintain 'A-' IFS ratings, which are two notches below the property/casualty IFS ratings of 'A+'. This approach was implemented in February 2009 during the financial crisis to reflect the divergence in operating performance and balance sheet strength between the life and property/casualty operations.

HFSG's announcement today does not significantly change Fitch's assessment of the life and property/casualty operating companies' financial strength. Fitch expects that HFSG will continue to support its insurance subsidiaries and maintain insurance company capitalization that is consistent with the current ratings.

Fitch affirmed the ratings on HFSG and its property/casualty and life insurance subsidiaries on May 15, 2012.

Symetra names actuary Craig Raymond as chief strategy officer

Symetra Life Insurance Co. has appointed Craig Raymond as senior vice president and chief strategy officer, effective Sept. 17, 2012. Raymond will report to Tom Marra, president and CEO of Symetra Financial Corp.

Raymond had been chief risk officer and chief actuary at John Hancock Financial Services since 2009, where he managed and monitored strategic, insurance, liquidity, credit, market and operational risks. He previously was chief actuary at Hartford Life.

As Symetra's chief strategy officer, Raymond will be responsible for long-term strategic planning, business portfolio analysis, and mergers and acquisitions. He will be based in the Hartford, Conn., area.

Raymond graduated from the Wharton School, University of Pennsylvania, with a bachelor's degree in economics. He is a Fellow and past vice president of the Society of Actuaries and a Member of the American Academy of Actuaries.

ING Group to sell stake in Capital One

The Dutch financial services giant ING Group plans to sell its 9% stake in Capital One in a deal that could be worth around $3 billion, *The New York Times* reported today. ING acquired the stake in the American firm when Capital One bought ING Direct USA for $9 billion in February.

ING has been forced to sell assets as part of the conditions of a 10 billion euro ($12.5 billion) bailout it received from its local government in 2008. Along with the sale of ING Direct USA to Capital One, the Dutch firm sold its online bank in Canada to a local rival, Bank of Nova Scotia, last month for $3.1 billion. ING is also planning to sell its Asian insurance businesses.

The Dutch firm said late on Tuesday that it would sell 54 million shares in Capital One, and would set the price before the start of trading in New York on Wednesday. Based on the closing share price on Tuesday, ING's stake in Capital One is worth around $3 billion. ING said it planned to complete the transaction by Monday, September 10.

The deal for ING Direct USA transformed Capital One into the country's fifth-largest bank by deposits. The combined business has around $200 billion in deposits, making it larger than regional powerhouses like PNC and TD Bank. Under the terms of the deal, Capital One issued $2.8 billion worth of new shares to ING, making the Dutch firm its largest shareholder.

Shares in ING rose less than 1 percent in morning trading in Amsterdam on Wednesday. Bank of America Merrill Lynch, Morgan Stanley and Citigroup are the joint bookrunners for the deal.

MetLife announces annuity enhancements

The MetLife Income Annuity– a single premium immediate annuity – now offers an "Increasing Income Option" and an "Early Access Option." The Increasing Income Option will allow the owner to elect to increase their income payments, compounded by an amount they choose, each year. The Early Access Option will provide access to a portion of their income payments in the event that an unexpected need arises.

The Increasing Income Option is an inflation feature that allows the annuity owner to select that their income payments be increased each year by a percentage rate they choose, generally between 2 – 4%. Under this optional feature, income payments will compound on each payment anniversary based on the pre-selected increase rate. This option is only available at issue to contracts issued to owners at least 59½ or older.

The Early Access Option allows clients to take a portion of their future income if an unexpected need arises during their liquidity period. The liquidity period will vary based on the income type elected. MetLife locks in the assumptions used to calculate the liquidity period value when the contract is issued so that clients know at purchase how much they can withdraw during the liquidity period. This feature is only available at issue to contracts issued to owners at least 59½ or older.