The Bucket

By Editorial Staff *Thu, Jan 21, 2016*

Brief or late-breaking items from or regarding MetLife, Voya Financial, Canadian pension funds, Protective Life and Liberty Mutual.

MetLife's strength and credit ratings placed "under review" by A.M. Best

A.M. Best said it has placed the financial strength rating of A+ (Superior) and the issuer credit ratings (ICR) of "aa-" of the primary life/health insurance subsidiaries of MetLife, Inc., "under review with developing implications."

"The actions follow MetLife's public announcement on Jan. 12, 2016 that it will pursue the separation of a substantial portion of its U.S. retail segment and is evaluating structural alternatives for this separation. These alternatives include a public offering of shares in an independent, publicly traded company, a spin-off or a sale," an A.M. Best release said.

"The ratings will remain under review until A.M. Best receives more definitive direction from the management of MetLife on the final separation strategy to be pursued, as well as the ultimate capital structure and allocation between the organizations," the release said.

"The new retail focused company would maintain the more capital intensive lines of business, including variable annuities with living benefit riders and universal life with secondary guarantees, which would result in a significant amount of exposure to market volatility and interest rate risk. However, at this time the level of capitalization for this company has not been set," the release continued.

"A.M. Best acknowledges that MetLife will maintain its industry leading position in the group insurance market and will continue to focus on growing its corporate benefit funding segment, which includes structured settlements and pension risk transfer business. The company will also focus on increasing its international presence in which it holds several market leading positions in both mature and emerging markets."

The ratings agency also placed the ICR of "a-", as well as all issue ratings of MetLife, under review with developing implications, along with the FSR of A (Excellent) and the ICRs of "a+" of MetLife's property/casualty companies.

The P/C companies include Metropolitan Property and Casualty Insurance Company, seven fully reinsured subsidiaries and a separately rated subsidiary, Metropolitan Group Property and Casualty Insurance Company (together referred to as MetLife Auto & Home).

Canadian pension funds gain access to China's capital markets

The Ontario Pension Board (OPB) and the Canada Pension Plan Investment Board (CPPIB) have become the first pension funds to gain access to China's capital markets under the more flexible of the country's two main licenses for foreign institutional investors, IPE.com reported this week.

The two boards have been granted Renminbi Qualified Foreign Institutional Investor (RQFII) status. The China Securities Regulatory Commission (CSRC) approved their licenses in December and announced on Thursday, according to Charles Salvador, director of investment solutions at Z-Ben Advisors.

The $272.9bn (€249bn) Canadian Pension Plan is already active in China. In December, it invested RMB3.2bn (€460m) in Postal Savings Bank of China, one of China's largest retail banks.

The announcement of the RQFII licenses for the Canadian funds comes after a torrid start to the new calendar year for Chinese markets, with stocks down amid high volatility and the renminbi depreciating.

Under the RQFII program, investors can invest directly in China's capital markets. The program resembles the Qualified Foreign Institutional Investor (QFII) platform but it is much less restrictive.

The RQFII provides easier access to the Chinese interbank bond market, doesn't require investors to allocate at least half of their quota to equities (A-shares), and allows investors to use offshore renminbi or other major currencies to fund their quota. QFII is strictly a US dollar-based program.

The approval of the licenses for the Canadian pension funds signals a change in the approach that pension funds will take to investing in Asia, Salvador told IPE.com.

"If they're looking to gain direct exposure to A-shares, then they'll have to think twice about going through the QFII platform," he said. "They'll have to think about RQFII, and then they also have the option of the Connect platform." Connect links the Hong Kong and Shanghai stock exchanges, letting investors invest in eligible Shanghai-listed securities.

Until now, asset managers, banks, securities companies, insurance companies and hedge funds have used the RQFII program. GIC, Singapore's sovereign wealth fund, received an RQFII license early last year, but it is unclear if this was granted to it in an asset management capacity.

Voya urges DOL not to encourage state-based defined contribution plans

Voya Financial, Inc. has submitted a letter to the Department of Labor (DOL) commenting on the DOL's proposal to exempt state-sponsored IRA savings programs from the Employee Retirement Income Security Act of 1974 (ERISA).

The letter acknowledged that "millions of American workers lack access to workplace retirement savings plans, disproportionately those who work for small employers," and that "Voya agrees there is an urgent need to expand access to workplace retirement savings plans to address the retirement savings gap."

But the DOL proposal "would enable a 50-state patchwork of government-administered retirement savings vehicles with inconsistent state and local regulations, low annual contribution limits, no opportunity for employer contributions and limited access to retirement planning and advice," Voya said.

"This patchwork will be difficult, if not impossible, to dismantle once built, and, if other layers of systems or requirements are added at the federal level in the future, there will be an even more confusing '50 plus one' patchwork of state and federal standards, rather than a single, streamlined standard."

"Automatic enrollment, sufficiently high limits for employee contributions, flexibility for employers to match contributions, access to high quality retirement planning advice and availability of an appropriate range of investment alternatives" would be preferable to the DOL solution, Voya said.

Voya asked the DOL to withdraw its proposal, and instead "seek a uniform federal solution that encourages employers to offer 401(k) and similar retirement savings plans." The firm urged the DOL to "work with legislators, private industry and other stakeholders to craft an appropriate federal framework… to address the retirement savings gap rather than creating a new state-based system."

Protective acquires Genworth blocks via re-insurance

Protective Life Insurance Co, a subsidiary of Protective Life Corp., which is a unit of The Dai-ichi Life Insurance Co., Ltd., has acquired via reinsurance certain blocks of business from Genworth Life and Annuity Insurance Co., Richmond, Va., Protective Life Corp. announced this week.

The transaction, announced last September 15, was Protective's first acquisition since becoming part of Dai-ichi Life and the second largest acquisition in Protective's history, according to a prepared statement from John D. Johns, Protective's Chairman and CEO. "We continue to have substantial available capital, and we are ready to pursue other acquisition opportunities," the statement said.

Liberty Mutual becomes Chile's biggest P/C insurer

Liberty Mutual Insurance has named Fernando Cámbara Lodigiani as CEO of its Chile operations following its acquisition of 99.6% of Compañía de Seguros Generales Penta Security S.A. Together with its existing company, Liberty Compañía de Seguros Generales S.A., Liberty Mutual Insurance is now the largest provider of property and casualty insurance in Chile.

Private passenger automobile insurance is the single largest line of business for Liberty Mutual's International operations, which insures more than 5.9 million autos worldwide outside the U.S. The Chilean property/casualty market is estimated at US$3 billion.

Cámbara, the CEO of Penta Security, will lead a unified management team comprised of executives from both companies. Penta Security is the fourth largest non-life insurer in Chile. Its products are consistent to those offered by Liberty Seguros, which has grown substantially in the ten years since Liberty Mutual Insurance first entered Chile.

In 2014, Liberty and Penta Security generated CL$171 billion and CL$226 billion of direct written premiums, respectively.

The acquisition in Chile adds to Liberty Mutual's International local business operations that sell to individuals and businesses in three geographic regions: Latin America, including Brazil, Colombia, Ecuador, and Chile; Europe, including Spain, Portugal, Turkey, Ireland and Russia; and, Asia, including Thailand, Singapore, India, Malaysia, China (including Hong Kong) and Vietnam. Private passenger automobile insurance is the single largest line of business for Liberty Mutual's International operations, which insures more than 5.9 million autos worldwide outside the U.S.