



# Evolving Trends in Bank-Owned Life Insurance Market

Complimentary Edition – 2020-Q4

March 2021

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# Economic Backdrop

# Economic Updates

## Federal Reserve Comments on Economy

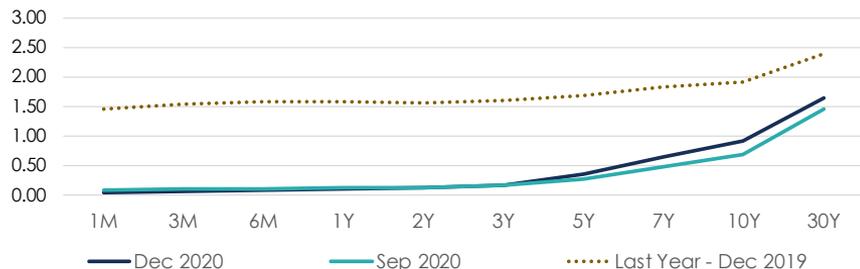
- The [FOMC statement](#) from the January 27, 2021, meeting noted that the pace of recovery in economic activity has moderated in recent months. During the meeting, the FOMC voted to keep the federal rate in the 0-0.25% range, while maintaining Treasury and agency MBS purchases of at least \$120 billion per month, until substantial progress has been made towards the maximum employment and price stability goals.
- In a speech delivered to the Economic Club of New York on February 10, 2021, Federal Reserve Chairman Jerome Powell remarked that the FOMC is unlikely to withdraw policy support anytime soon. Additionally, Powell noted that fiscal support is an essential tool for the economic situation but did not comment on the amount of support required.

## Consolidated Appropriations Act

- On December 27, 2020, President Trump signed the Consolidated Appropriations Act. The act funds the US Federal Government through 2021 and provides approximately \$900 billion of COVID-19 support. Of note, the bill includes \$325 billion for small businesses, \$166 billion in direct checks, and \$120 billion for unemployment benefits.

# Financial Markets Update

## US Treasury Yields



	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
Dec 2020	0.04	0.07	0.09	0.11	0.12	0.17	0.36	0.65	0.92	1.65
Sep 2020	0.08	0.10	0.10	0.12	0.13	0.16	0.28	0.47	0.69	1.46
Q Change	-0.03	-0.03	-0.02	-0.01	-0.01	0.01	0.08	0.17	0.23	0.19
Dec 2019	1.45	1.55	1.59	1.58	1.57	1.61	1.69	1.83	1.92	2.39
Year Change	-1.41	-1.48	-1.50	-1.47	-1.45	-1.44	-1.33	-1.19	-1.00	-0.74

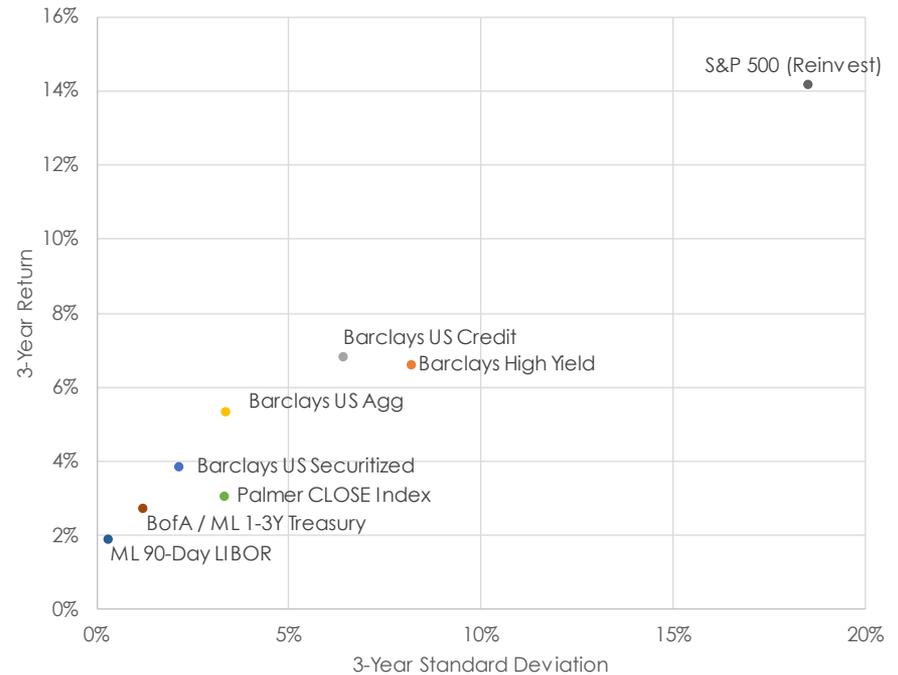
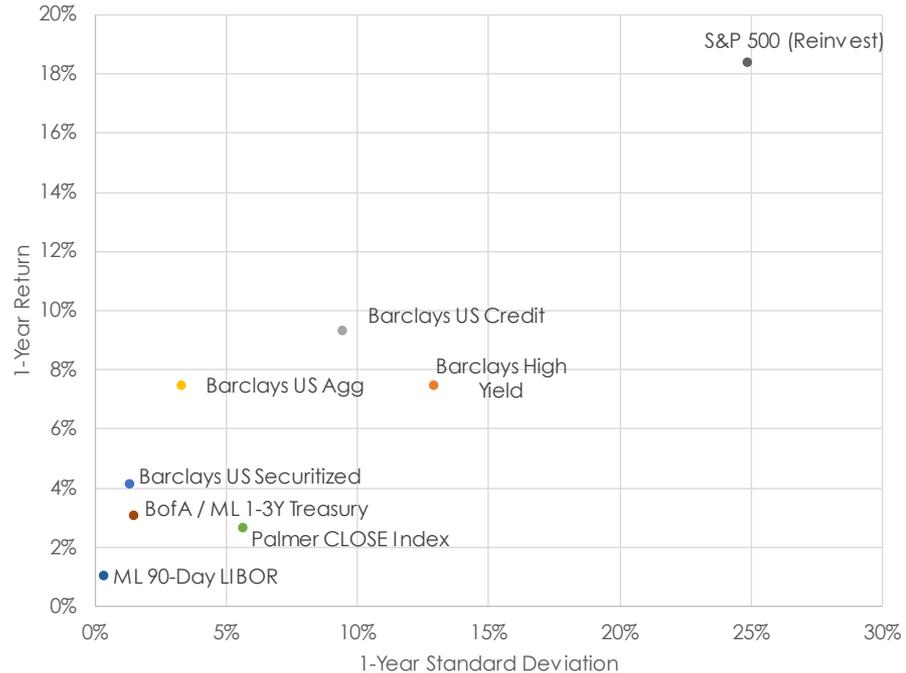
## Sector Performance (As of Q4)

	YTW	Duration	OAS	3M Return	12M Return	3Y Return	5Y Return
Treasuries	0.57%	7.21	0.00%	-0.83%	8.00%	5.18%	3.77%
Corporate	1.74%	8.84	0.96%	3.05%	9.89%	7.04%	6.74%
CMBS	1.28%	5.31	0.81%	1.05%	8.10%	5.65%	4.73%
ABS	0.45%	2.10	0.33%	0.36%	4.52%	3.59%	2.87%
Credit Card ABS	0.43%	2.38	0.23%	0.28%	4.70%	3.65%	2.89%
Auto ABS	0.46%	1.91	0.38%	0.39%	4.29%	3.51%	2.84%
Agency MBS	1.25%	2.34	0.39%	0.24%	3.87%	3.71%	3.05%
GNMA	0.71%	0.81	-0.05%	0.36%	3.68%	3.49%	2.78%
FHLHC	1.41%	2.83	0.51%	0.22%	3.92%	3.79%	3.19%
FNMA	1.43%	2.84	0.55%	0.20%	3.98%	3.80%	3.15%
Palmer CLO AAA	1.40%	2.08	1.16%	0.93%	2.63%	3.03%	3.08%

\*Discount Margin

	3M Return	12M Return	3Y Return	5Y Return
<b>SP 500 (Reinvest)</b>	<b>12.15%</b>	<b>18.40%</b>	<b>14.15%</b>	<b>15.21%</b>
Energy	27.77%	-33.68%	-15.28%	-5.20%
Materials	14.47%	20.73%	8.64%	13.13%
Industrials	15.68%	11.06%	7.59%	12.37%
Consumer Discretionary	8.04%	33.30%	19.76%	17.52%
Consumer Staples	6.35%	10.75%	8.97%	9.14%
Health Care	8.03%	13.45%	13.40%	11.63%
Financials	23.22%	-1.69%	4.14%	11.12%
IT	11.81%	43.89%	29.12%	27.78%
Telecom	13.82%	23.61%	12.76%	11.83%
Utilities	6.54%	0.48%	9.72%	11.49%

# 1 & 3-Year Benchmark Risk/Return Plots

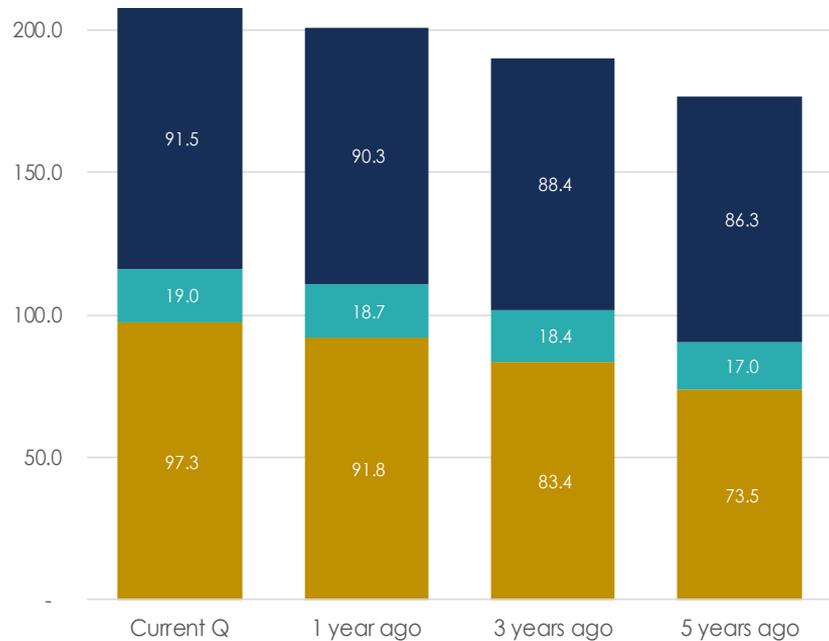


Data as of 2020-Q4

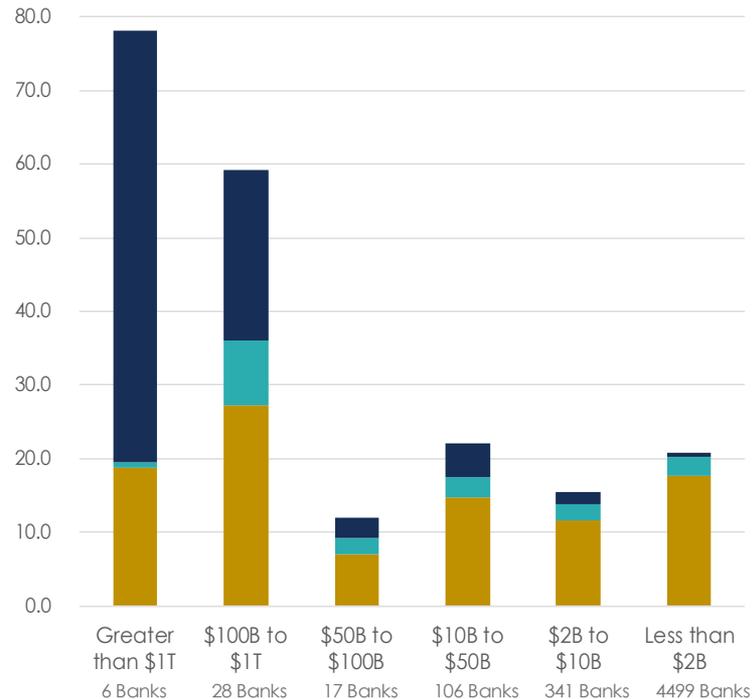
# Recent Trends in BOLI

# BOLI Market Overview as of 2020-Q4

## Total BOLI (\$B) by Type



## Current BOLI Type by Institution Total Asset Size



SA

GA

Hybrid

Institutions represent Bank Holding Companies and Stand-Along Savings & Loans and Banks

# BOLI Market Overview as of 2020-Q4

Bank Size	Number of Banks <sup>1</sup>	% Owning BOLI	Total Assets (Billions)	GA BOLI (Billions)	Hybrid BOLI (Billions)	SA BOLI (Billions)	Total BOLI (Billions)	BOLI / Capital	BOLI / Assets
Greater than \$1 Trillion	6	100%	12,700	18.9	0.6	58.6	78.1	7.53%	0.62%
\$100 Billion to \$1 Trillion	28	79%	6,755	27.3	8.8	23.3	59.3	9.61%	0.88%
\$50 Billion to \$100 Billion	17	88%	1,240	7.0	2.2	2.8	12.0	9.02%	0.97%
\$10 Billion to \$50 Billion	106	85%	2,381	14.8	2.7	4.5	22.1	9.18%	0.93%
\$2 Billion to \$10 Billion	341	82%	1,460	11.6	2.2	1.7	15.5	9.69%	1.06%
Less than \$2 Billion	4,499	64%	1,764	17.7	2.5	0.6	20.8	10.42%	1.18%
<b>TOTALS</b>	<b>4,997</b>	<b>66%</b>	<b>26,300</b>	<b>97.3</b>	<b>19.0</b>	<b>91.5</b>	<b>207.7</b>	<b>8.71%</b>	<b>0.79%</b>

<sup>1</sup> The number of banks represents the number of Top Bank Holding Companies and Stand-Alone Savings & Loan and Banking Institutions.

A Bank Holding Company may have several subsidiary banks, but they are not counted individually in this figure.

NEED CUSTOM PEER BANK REPORTS ?

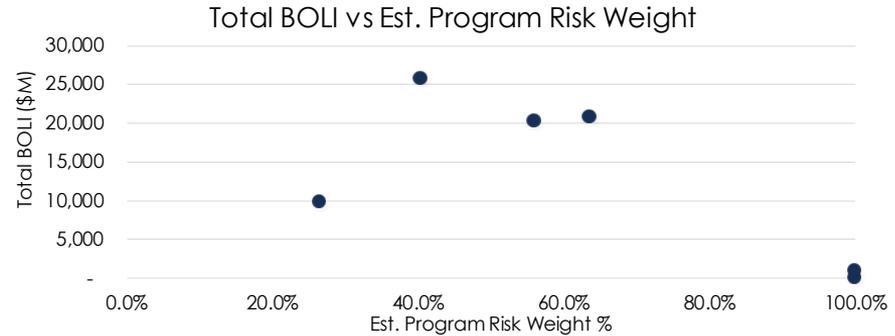
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# Market Analytics By Bank Size

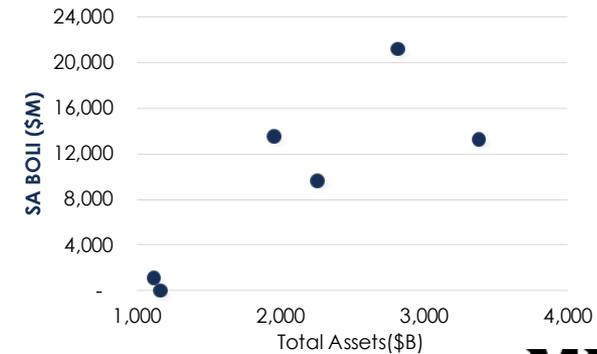
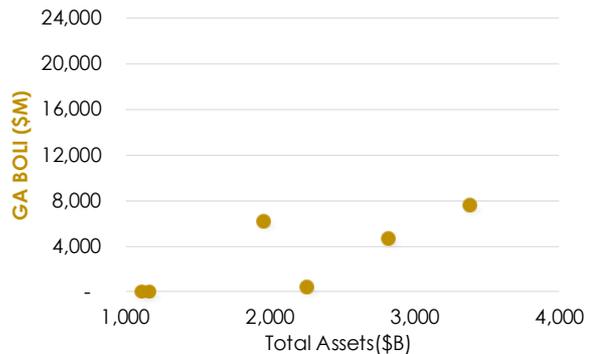
## Banks with over \$1T in Total Assets

6 of 6 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>18,869</b>	<b>636</b>	<b>58,604</b>	<b>78,109</b>	<b>8%</b>
Average	3,145	106	9,767	13,018	6%



## Types of BOLI by Bank Asset Size

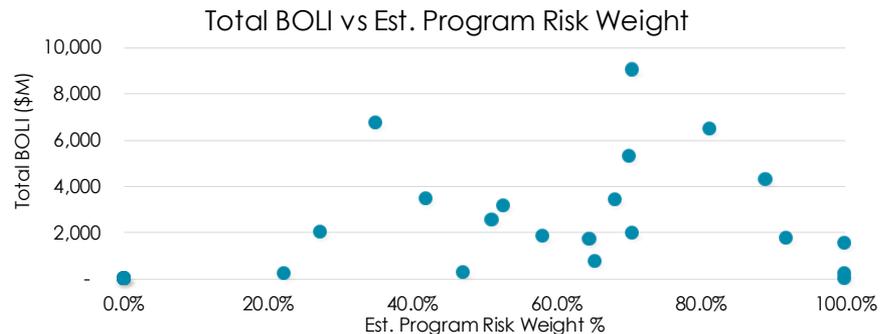


# Market Analytics By Bank Size

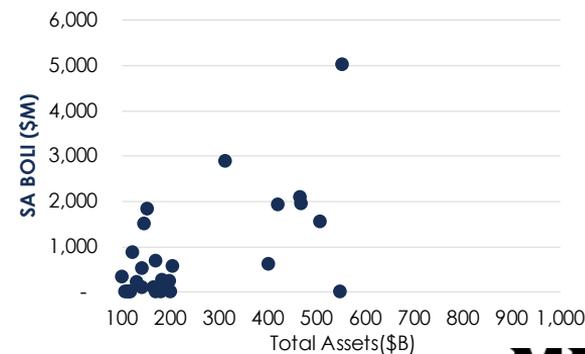
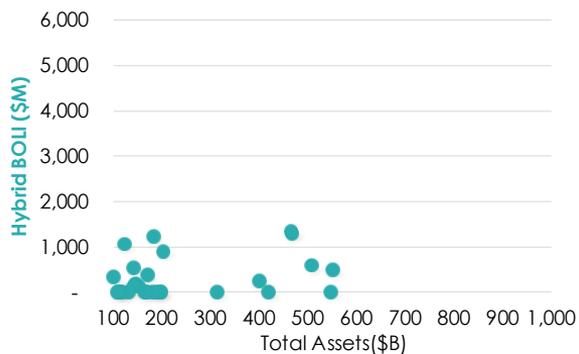
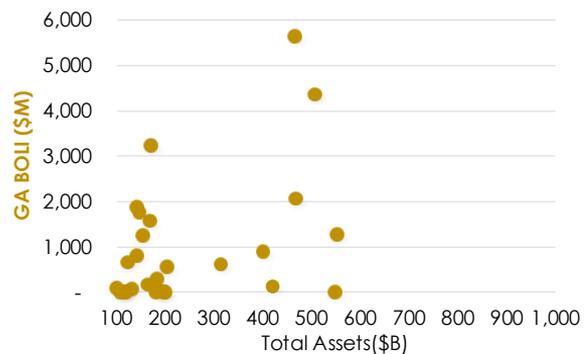
## Banks with \$100B to \$1T in Total Assets

22 of 28 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>27,262</b>	<b>8,758</b>	<b>23,251</b>	<b>59,271</b>	<b>10%</b>
<b>Average</b>	<b>974</b>	<b>313</b>	<b>830</b>	<b>2,117</b>	<b>22%</b>



## Types of BOLI by Bank Asset Size

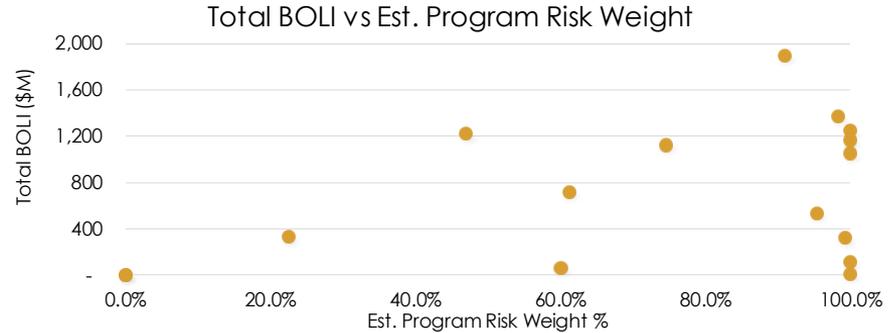


# Market Analytics By Bank Size

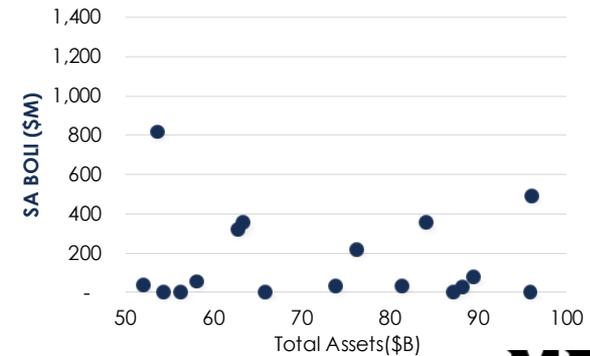
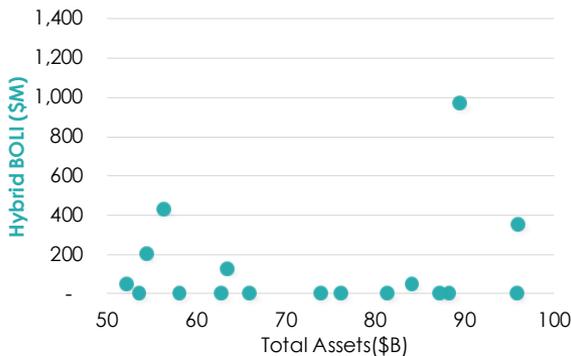
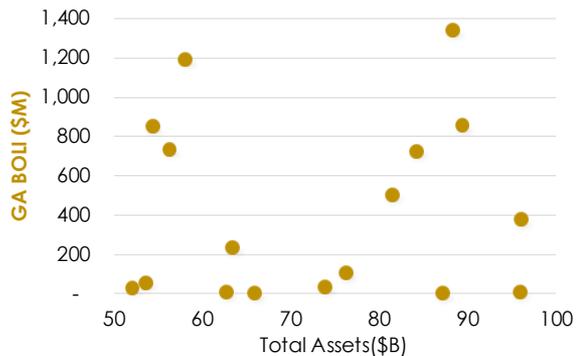
## Banks with \$50B to \$100B in Total Assets

15 of 17 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>7,012</b>	<b>2,176</b>	<b>2,806</b>	<b>11,994</b>	<b>9%</b>
<b>Average</b>	<b>412</b>	<b>128</b>	<b>165</b>	<b>706</b>	<b>10%</b>



## Types of BOLI by Bank Asset Size

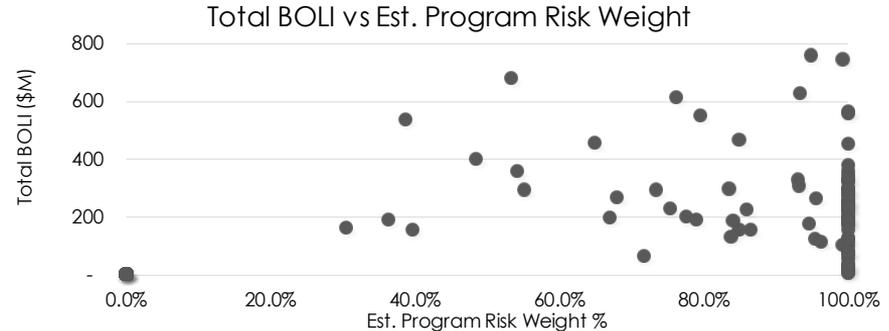


# Market Analytics By Bank Size

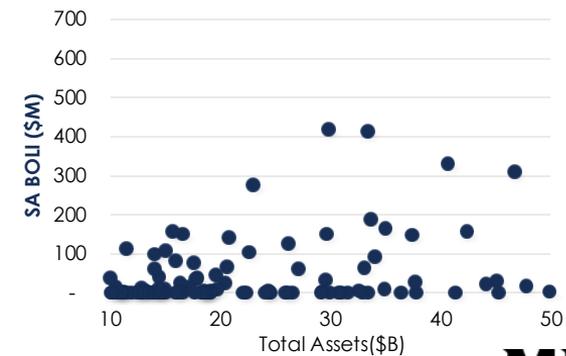
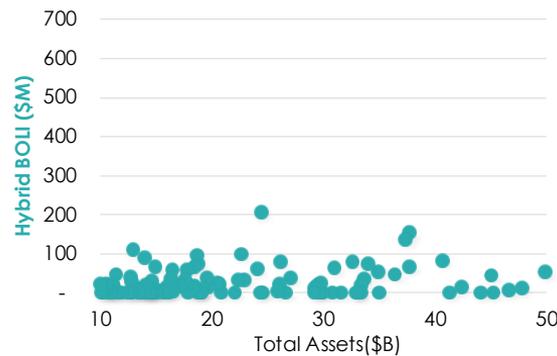
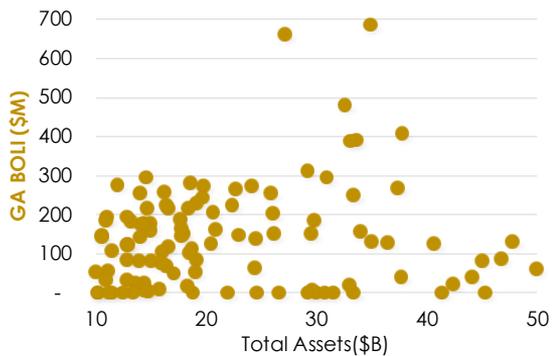
## Banks with \$10B to \$50B in Total Assets

90 of 106 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>14,830</b>	<b>2,731</b>	<b>4,514</b>	<b>22,074</b>	<b>9%</b>
<b>Average</b>	<b>140</b>	<b>26</b>	<b>43</b>	<b>208</b>	<b>12%</b>



## Types of BOLI by Bank Asset Size

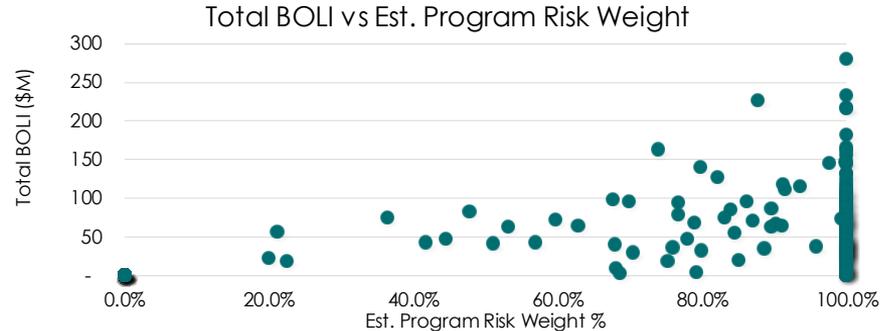


# Market Analytics By Bank Size

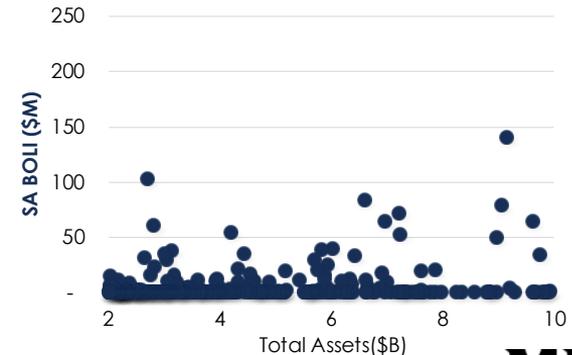
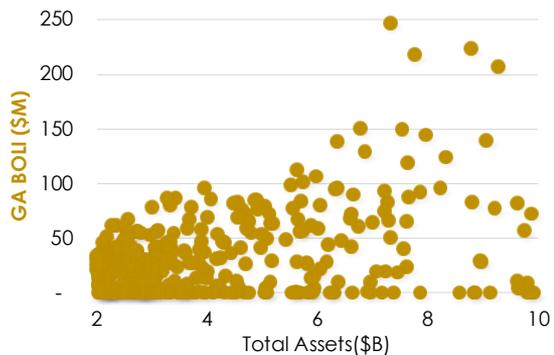
## Banks with \$2B to \$10B in Total Assets

276 of 341 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>11,502</b>	<b>2,163</b>	<b>1,706</b>	<b>15,371</b>	<b>10%</b>
<b>Average</b>	<b>34</b>	<b>6</b>	<b>5</b>	<b>45</b>	<b>10%</b>

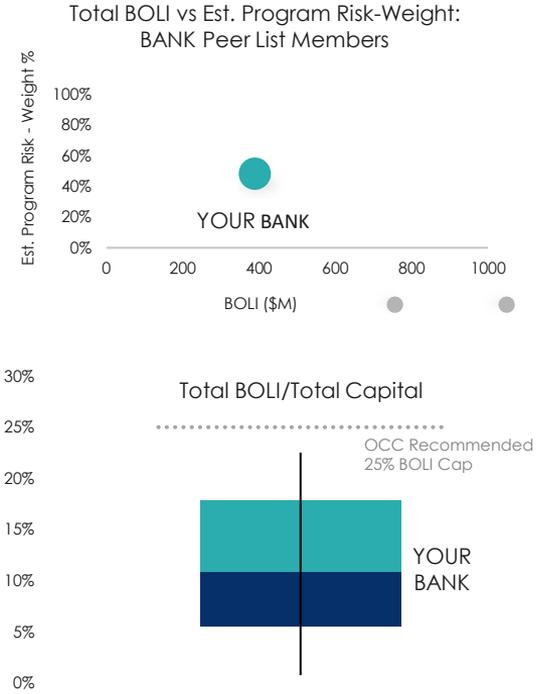
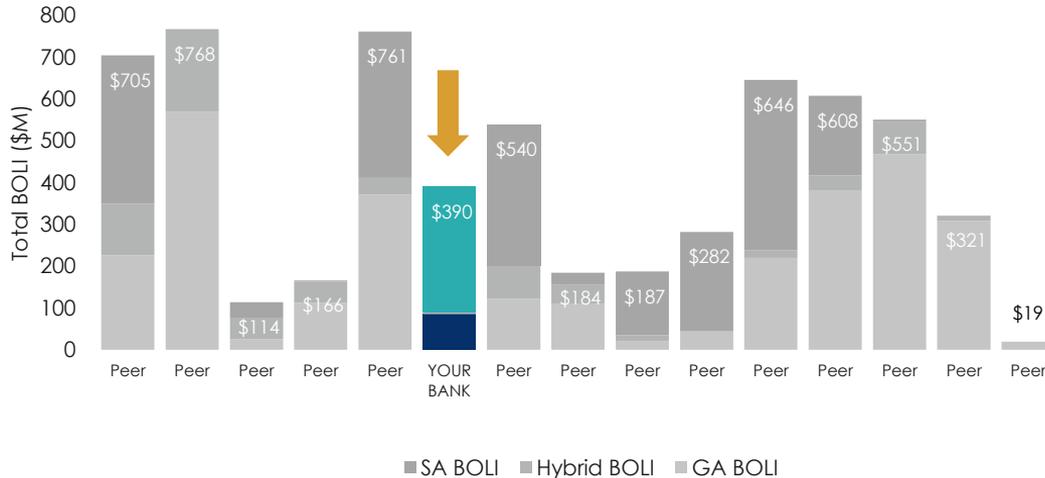


## Types of BOLI by Bank Asset Size



# CUSTOM PEER BANK REPORTS

- ✓ **Customizable**— Create your peer group & choose which banks to include
- ✓ **Risk Management**— Extensive peer BOLI monitoring
- ✓ **Comprehensive Updates**— Quarterly review of BOLI market activity



# BOLI Risk-Weighted Assets Analysis

Bank Size	Number of Banks <sup>1</sup>	% Owning BOLI	SA Exposure (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
Greater than \$1 Trillion	6	100%	58.6	18.9	32.3%	32.5%
\$100 Billion to \$1 Trillion	28	79%	27.9	10.8	38.9%	56.4%
\$50 Billion to \$100 Billion	17	88%	4.4	3.2	72.9%	60.2%
\$10 Billion to \$50 Billion	106	85%	6.0	3.6	59.1%	79.0%
\$2 Billion to \$10 Billion	341	82%	3.4	2.8	80.9%	85.4%
Less than \$2 Billion	4,499	64%	2.1	1.9	89.3%	94.6%
<b>Total</b>	<b>4,997</b>	<b>66%</b>	<b>102.4</b>	<b>41.2</b>	<b>40.3%</b>	<b>90.3%</b>

## Observations

- Bank RW% Median and Mode are both 100%, indicating most banks are defaulting to 100%
- Using category weights from our BOLI Allocations Study, MBSA estimates a ~28% effective risk-weight for the SA industry using the Basel III Standardized Approach
- The largest banks account for over half of SA Exposure, yet achieve lower RW%

# Recent BOLI Transaction Counts & Totals

Movement or Transactions of \$10M or More

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
<b>TOTAL</b>												
2020-Q4	11	364	20	682	<b>31</b>	<b>1,046</b>	0	0	2	-178	<b>2</b>	<b>-178</b>
1-Year	26	1,472	42	1,104	<b>68</b>	<b>2,575</b>	0	0	7	-364	<b>7</b>	<b>-364</b>
3-Year	62	4,258	94	2,563	<b>156</b>	<b>6,821</b>	4	-107	17	-754	<b>21</b>	<b>-861</b>
5-Year	152	7,137	178	4,678	<b>330</b>	<b>11,815</b>	7	-234	25	-1,023	<b>32</b>	<b>-1,257</b>
<b>SA</b>												
2020-Q4	0	0	2	337	<b>2</b>	<b>337</b>	0	0	0	0	<b>0</b>	<b>0</b>
1-Year	2	78	3	361	<b>5</b>	<b>440</b>	0	0	3	-138	<b>3</b>	<b>-138</b>
3-Year	3	108	9	685	<b>12</b>	<b>793</b>	2	-61	7	-353	<b>9</b>	<b>-414</b>
5-Year	4	118	18	973	<b>22</b>	<b>1,091</b>	3	-101	11	-510	<b>14</b>	<b>-610</b>
<b>GA</b>												
2020-Q4	11	364	18	344	<b>29</b>	<b>709</b>	0	0	2	-178	<b>2</b>	<b>-178</b>
1-Year	24	1,393	39	742	<b>63</b>	<b>2,136</b>	0	0	4	-226	<b>4</b>	<b>-226</b>
3-Year	58	4,146	84	1,862	<b>142</b>	<b>6,008</b>	1	-4	10	-401	<b>11</b>	<b>-405</b>
5-Year	145	6,981	157	3,661	<b>302</b>	<b>10,642</b>	3	-92	14	-513	<b>17</b>	<b>-605</b>
<b>HYBRID</b>												
2020-Q4	0	0	0	0	<b>0</b>	<b>0</b>	0	0	0	0	<b>0</b>	<b>0</b>
1-Year	0	0	0	0	<b>0</b>	<b>0</b>	0	0	0	0	<b>0</b>	<b>0</b>
3-Year	1	4	1	16	<b>2</b>	<b>20</b>	1	-42	0	0	<b>1</b>	<b>-42</b>
5-Year	3	38	3	44	<b>6</b>	<b>82</b>	1	-42	0	0	<b>1</b>	<b>-42</b>

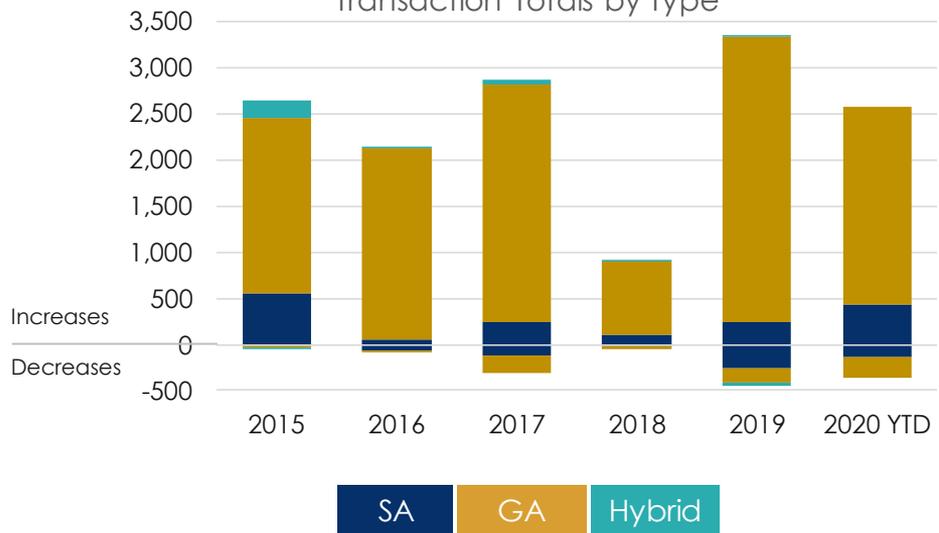
Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

# Recent BOLI Transactions

Movement or Transactions of \$10M or More

Transaction Totals by Type



## Recent Notable Purchases

- In 2020-Q1 Synovus Bank purchased \$250 million of GA
- In 2020-Q3 BCB Comm. Bank purchased \$60 million of SA
- In 2020-Q1-Q4 First Republic purchased \$565 million of GA and \$18 million of SA
- In 2020-Q4 Morgan Stanley's SA increased ~\$306 million

## Recent Notable Surrenders

- In 2019-Q3 WSFS surrendered \$59 million of BOLI after acquiring an institution with \$83 million in BOLI in Q1
- In 2019-Q3 Centennial Bank surrendered \$47.5 million of SA
- In 2020-Q4 Regions performed an exchange of SA for GA; MBSA estimates the exchange ~\$250 million

# BOLI Industry Allocations & Analytics

# MBSA BOLI Industry Allocations Study

Our ongoing study attempts to track how SA BOLI is allocated over time

## Gathered SA BOLI AUM data is categorized into portfolio types

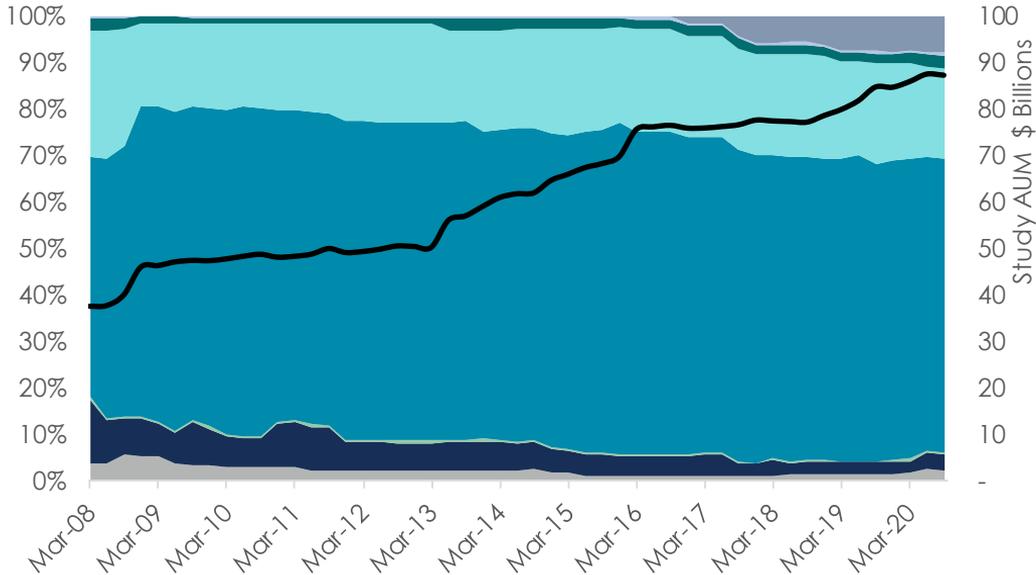
- Capital Efficient / Multi-Sector / Target RW
- High Yield
- Credit
- Core Fixed Income
- MBS / Securitized (ABS / CMBS)
- CLO / Bank Loan
- Short Duration
- Government

## Portfolio types represent full portfolio MVs and do not look through to the holdings sector weights

Currently comprises \$87 billion – a massive share of the industry

# SA BOLI Industry Allocations

## SA BOLI Allocations Over Time

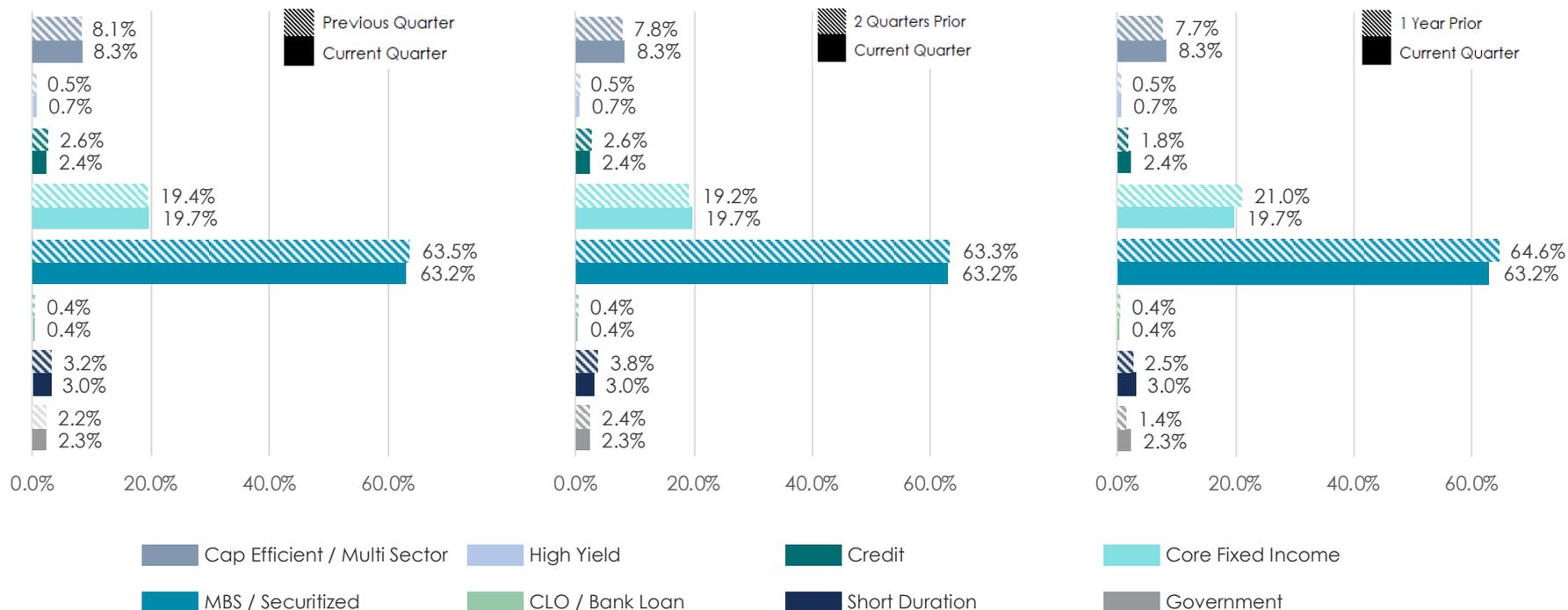


## 2020-Q4 Weights

Cap Efficient / Multi Sector	8.3%
High Yield	0.7%
Credit	2.4%
Core Fixed Income	19.7%
MBS / Securitized	63.2%
CLO / Bank Loan	0.4%
Short Duration	3.0%
Government	2.3%

— Black line (right axis) shows aggregate assets comprised in our study (number of participants have grown over time)

# Recent Allocation Changes



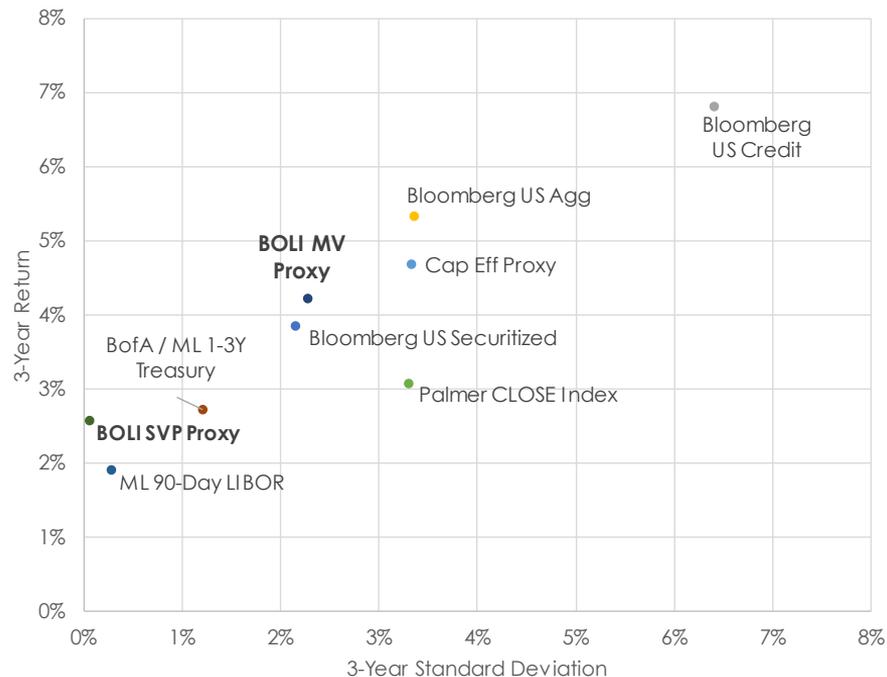
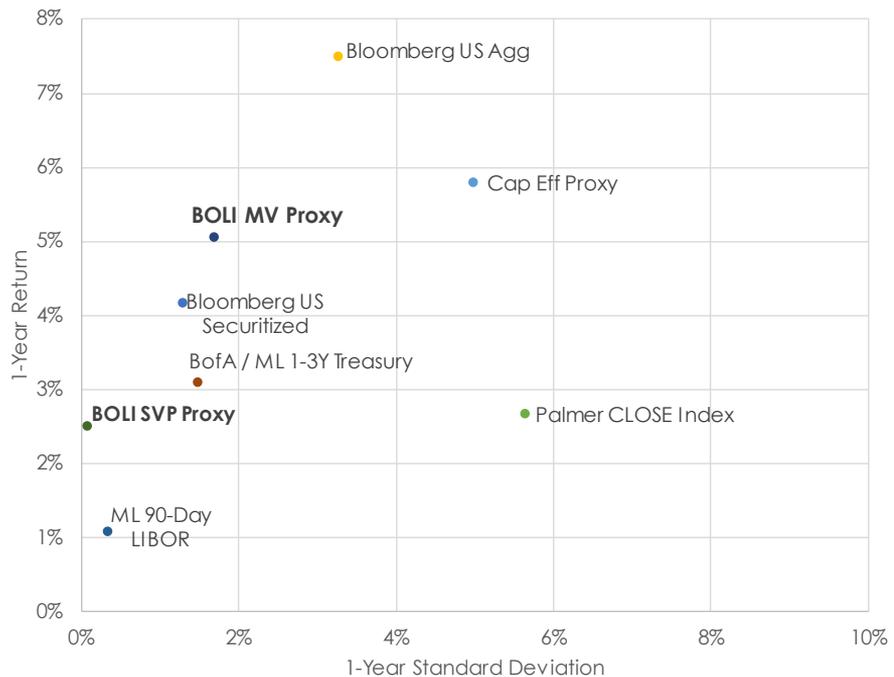
# Investment Performance Proxy

Using common benchmarks for the categories, a proxy for the industry's SA Q4 MV performance is estimated at 0.54%, and Stable Value at 0.55%

	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied by a sector blend]	1.33%	5.80%	4.69%	4.23%	8.30%
High Yield	<i>Barclays High Yield</i>	5.42%	7.51%	6.60%	7.93%	0.70%
Credit	<i>Barclays US Credit</i>	2.80%	9.37%	6.81%	6.45%	2.38%
Core Fixed Income	<i>Barclays US Agg</i>	0.67%	7.51%	5.34%	4.44%	19.73%
MBS / Securitized	<i>Barclays US Securitized</i>	0.31%	4.18%	3.85%	3.16%	63.16%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	0.23%	1.43%	2.84%	2.76%	0.43%
Short Duration	<i>ML 90-Day LIBOR</i>	0.06%	1.08%	1.91%	1.50%	3.00%
Government	<i>BofA / ML 1-3Y Treasury</i>	0.05%	3.10%	2.73%	1.89%	2.30%
<b>Industry Proxy MV Performance using rolling weights:</b>		<b>0.54%</b>	<b>5.06%</b>	<b>4.23%</b>	<b>3.50%</b>	
Industry Proxy Stable Value Performance:		0.55%	2.51%	2.57%	2.49%	

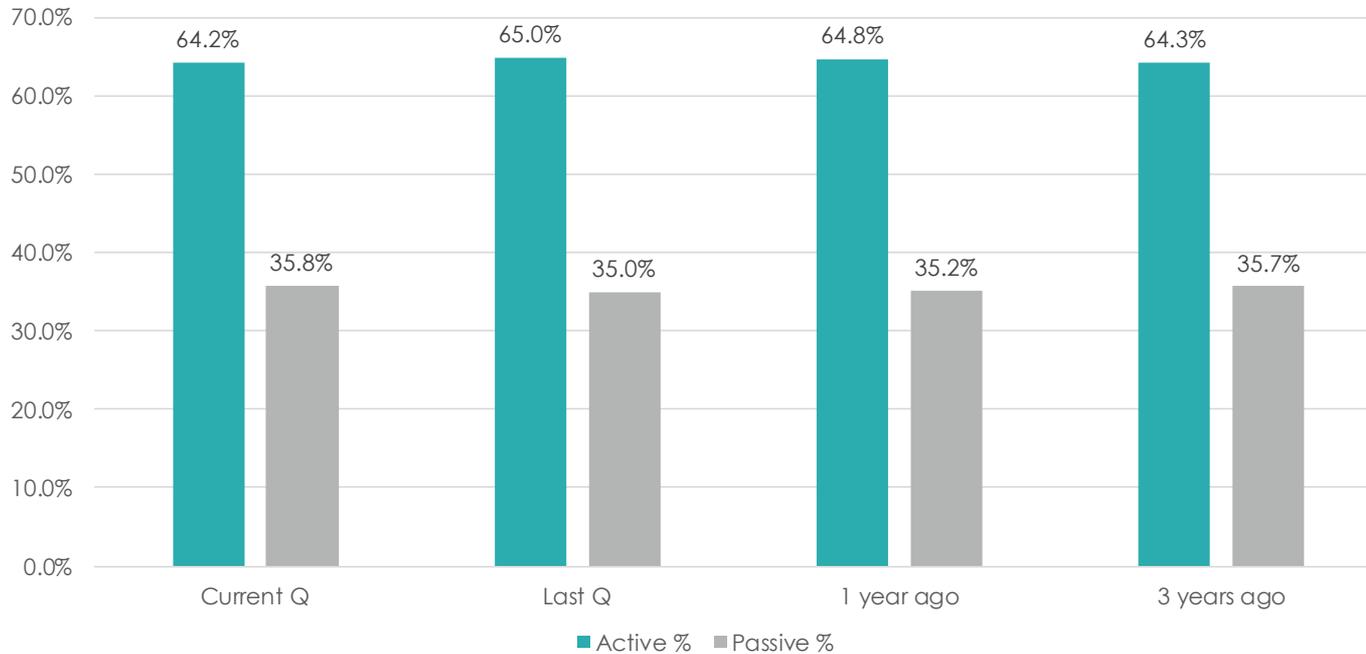
Stable Value performance represents book value growth of the industry proxy under a standard crediting rate formula beginning (MV=BV) in 2013.

# 1 & 3-Year Risk/Return Plots with BOLI



Data as of 2020-Q4

# Active / Passive Breakdown



Actively Managed Separate Accounts vs. Passive/Index Accounts

# Legislative, Regulatory, Judicial, Tax and Accounting Updates

# Noteworthy Judicial Developments

## [None covered this quarter]

- For prior recent developments, see historical LRJA updates on our [website](#).

# Noteworthy Tax Developments

## Biden Administration's Business Tax Priorities (Dec)

- During the course of his campaign, President-elect Joe Biden identified numerous political and legislative priorities, ranging from pandemic response to environmental initiatives. With regard to taxation, the Biden campaign identified various policy priorities, and a number of leading accountancies, including KPMG, PWC, E&Y, Deloitte, and Grant Thornton, have published reports on them. It is our understanding that Biden has not released a single, comprehensive plan, and many of the provisions he has identified lack sufficient detail to assess their impact. However, the following are a few key elements that have been widely reported:
  - ❖ Increase the corporate tax rate from 21% to 28%
  - ❖ Impose a 15% minimum tax on companies that report GAAP income in excess of \$100 million
  - ❖ Institute an "offshoring tax penalty"
  - ❖ Restore the top rate on ordinary income for individuals to 39.6% from 37% under TCJA, and
  - ❖ Tax long-term capital gains and certain dividends at ordinary rates for individuals with income of more than \$1 million.
- The prospects for tax law changes are expected to be materially influenced by the Georgia Senate run-off elections on January 5. If Democrats win both seats, the Senate will be effectively split 50-50 and Vice President-elect Kamala Harris would be the tie breaker. This would increase the possibility of tax law policy changes being enacted through the Budget Reconciliation process (the same process that the Trump Administration used with the TCJA).

Continued...

# Noteworthy Tax Developments

## Biden Administration's Business Tax Priorities (Dec) Continued

- If Republicans win either of the Georgia Senate seats, they will maintain control of the Senate and diminish the chances of significant tax legislation passing. However, several experts have noted that there are a number of Republican tax priorities that could in part compromise to some extent.
- Of course, if corporate tax rates increase from 21% to 28%, the tax equivalent yields of BOLI will likely improve for policyowners.

# Noteworthy Accounting Developments

## [None covered this quarter]

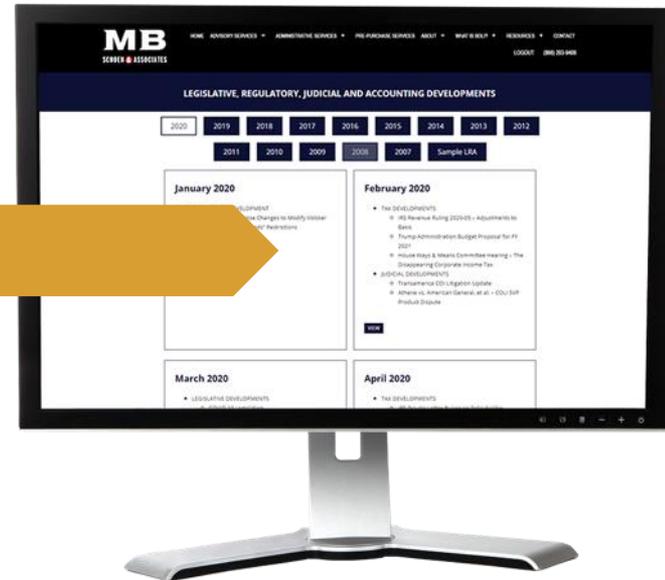
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LEGISLATIVE, REGULATORY, JUDICIAL,  
AND ACCOUNTING DEVELOPMENTS



# Noteworthy Regulatory Developments

## OCC Finalizes Rule Clarifying Role of Supervisory Guidance (Feb)

- On February 16, the OCC released a [final rule](#) that is substantively the same as a previously proposed rule published in November 2020. This rule reaffirms that supervisory guidance, unlike statutes and regulations, does not have the force and effect of law.
- However, the OCC notes that supervisory guidance can outline the OCC's supervisory expectations or priorities and articulate the OCC's general views regarding appropriate practices for a given subject area.

## Banking Regulators Finalize NSFR Rule (Feb)

- On February 24, the OCC, FRB and FDIC [published a final rule](#) that implements the net stable funding ratio (NSFR). The NSFR measures the stability of a covered company's funding profile over a one-year time horizon and complements the liquidity coverage ratio (LCR).
- The final rule will be effective on July 1, 2021. We do not expect this rule to have any direct impact on BOLI/COLI programs.

# Noteworthy Legislative Developments

## Amendment to IRC § 7702 – Minimum Rate of Interest (Jan)

- On December 27, President Trump signed the [Consolidated Appropriations Act](#) ("CAA") into law. The CAA combined COVID-19 stimulus measures and various other budget appropriations.
- Section 205 of the CAA updates the minimum rate of interest for IRC § 7702 testing for life insurance contracts issued after December 31, 2020. The previously stated minimum rates were 4% (for the Cash Value Accumulation Test, "CVAT") and 6% (for the Guideline Premium Test, "GPT"). The new law establishes a new minimum rate of 2% for the CVAT and 4% for the GPT in 2021.
- After 2021, the rate will be based on the lower of the prescribed U.S. valuation interest rate for life insurance with guaranteed durations of more than 20 years (as defined in the NAIC's "Standard Valuation Law"), or the average of "the applicable Federal mid-term rates (as defined in section 1274(d) but based on annual compounding) effective as of the beginning of each of the calendar months in the most recent 60-month period ending before the second calendar year prior to such adjustment year." If these reference rates rise above the prior law levels (4% for CVAT and 6% for GPT), the prior law levels will apply (unless the contracts set forth a higher guaranteed interest rate).

Continued...

# Noteworthy Legislative Developments

## Amendment to IRC § 7702 – Minimum Rate of Interest (Jan) Continued

### Impact of Lower Minimum Rates in IRC § 7702 Testing

- Since the changes only apply to contracts newly issued after December 31, 2020, this development does not have direct impact on in-force contracts.
- For new contracts, the utilization of lower minimum rates will allow for relatively larger premium contributions for a given level of death benefit. This, in turn, can be expected to result in lower relative deductions for Cost of Insurance (COI) and lower death benefit gains from mortality if contracts are funded to maximum levels as compared to contracts established under the higher rates.
- We have confirmed that some carriers are already able to issue contracts using the lower rates. Others are working through administrative and product filing implications.

# Noteworthy Legislative Developments

## COVID Relief Legislation – American Rescue Plan (HR 1319) (Feb)

- On February 27, the House voted to pass the American Rescue Plan Act of 2021 ([HR 1319](#)), which is the Biden administration's \$1.9 trillion stimulus package.
- The legislation does not appear to include any provisions that will impact employer-owned life insurance or tax laws applicable to such programs. However, [Subtitle H](#) (Pensions) may be of interest to some readers. Pension-related provisions include
  - ❖ Institution of temporary delay of designation of multi-employer plans as endangered, critical or critical and declining (Section 9701);
  - ❖ Five-year extension of funding and rehabilitation periods for multi-employer plans in critical and endangered status (Section 9702);
  - ❖ Extended amortization for single employer plans (to 15 years from 7 years) (Section 9705);
  - ❖ Extension of pension funding stabilization percentages for single employer plans (Section 9706); and
  - ❖ A freeze on the cost-of-living adjustment starting in 2030 (Section 9708).
- The Senate is expected to pass the stimulus bill through Budget Reconciliation. The House legislation included a section that would raise the Federal minimum wage. On February 25, the Senate parliamentarian ruled that an increase to the minimum wage could not be included in a budget reconciliation process.

# Noteworthy Legislative Developments

## Florida Consumer Privacy Bill (HB 969) (Feb)

- On February 15, [House Bill 969](#) was filed in the Florida House. The bill is reported to be similar in scope to California's Consumer Privacy Act. If enacted, the law is slated to take effect January 1, 2022 and would fall under the oversight of the Attorney General's office. It has been reported that the legislation has the support of the Governor's office.
- Noteworthy provisions of HB 969:
  - ❖ Businesses must maintain a privacy policy that includes a list of the categories of personal information the business collects or has collected about consumers;
  - ❖ Consumers have the right to request disclosure of the categories and specific pieces of personal information that a business collects from or about consumers;
  - ❖ A business that collects personal information must inform consumers of the categories of personal information that will be collected and the purposes for which the categories will be used;
  - ❖ A business must provide and follow a retention schedule that prohibits the use and retention of personal information after satisfaction of the initial purpose for collecting such information; and
  - ❖ Consumers have the right to request that a business delete the consumer's personal information (exceptions apply).

Continued...

# Noteworthy Legislative Developments

## Florida Consumer Privacy Bill (HB 969) (Feb) Continued

- The legislation also sets forth requirements that must be incorporated into any contract between a business and a service provider, including provisions that prohibit the service provider from selling or sharing the personal information or disclosing it for any purpose other than the business purposes specified in the contract.
- The bill includes exceptions similar to the CCPA. Of note, the law does not apply to personal information collected, processed, sold or disclosed pursuant to the Gramm-Leach-Bliley Act.
- Similar to California, a “consumer” under this legislation is broadly defined to be largely any natural person who resides in the state

# Noteworthy Legislative Developments

## Virginia Consumer Data Protection Act (SB 1392) (Feb)

- On February 26, the Virginia legislature sent its Consumer Data Protection Act (“CDPA”) ([SB 1392](#)) to the Governor. The bill is expected to be enacted.
- The CDPA uses a slightly narrower definition of “consumer” than Florida and California. Under the CDPA, a consumer is a natural person who is a resident of the Commonwealth acting only in an individual or household context. It does not include a natural person acting in a commercial or employment context.
- Consumer rights under the CDPA include
  - ❖ Confirming whether or not a business is processing the consumer's personal data and the right to access such personal data;
  - ❖ Correcting inaccuracies in the data; and
  - ❖ Requesting deletion of the consumer's personal data.
- This law also sets forth a number of responsibilities for businesses that depend on whether they are a “controller” or a “processor” of personal data. The responsibilities include data security-related considerations.
- Additionally, the CDPA appears to expressly not apply to financial institutions or data subject to Title V of the federal Gramm-Leach-Bliley Act (see § 59.1-572(B)(ii)).
- Various other states are currently considering privacy legislation. We will continue to monitor this area.

# Other Noteworthy Developments

## [None covered this quarter]

- For prior recent developments, see historical LRJA updates on our [website](#).

# Insurance Company and Counterparty Updates

# Current S&P Financial Strength Ratings

## Insurance Carriers Rated AAA

- None

## Insurance Carriers Rated AA+

- Guardian Life Insurance Company of America
- Massachusetts Mutual Life Insurance Co.
- New York Life Insurance Company
- Northwestern Mutual Life Insurance Company
- USAA Life Insurance Company

## Insurance Carriers Rated AA

- Canada Life Assurance Co. (US Branch)
- Great-West Life and Annuity Insurance Co.

## Insurance Carriers Rated AA-

- John Hancock Life Insurance Company (USA)
- Lincoln National Life Insurance Company
- Metropolitan Life Insurance Company
- Metropolitan Tower Life Insurance Company
- Pacific Life Insurance Company
- Pruco Life Insurance Company
- Prudential Insurance Company of America
- West Coast Life Insurance Company
- Zurich Insurance Company

## Insurance Carriers Rated A+

- American General Life Insurance Company
- Ameritas Life Insurance Corp
- Brighthouse Life Insurance Company
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Company of America
- Midland National Life Insurance Company
- MONY Life Insurance Company
- National Life Insurance Company of Vermont
- Nationwide Life & Annuity Insurance Company
- Nationwide Life Insurance Company
- Principal Life Insurance Company
- Reliastar Life Insurance Company
- Transamerica Life Insurance Company
- U.S. Life Insurance Company in The City of NY

## Insurance Carriers Rated A

- Athene Annuity and Life Company
- Connecticut General Life Insurance Company
- Jackson National Life Insurance Company
- Symetra Life Insurance Company
- Zurich American Life Insurance Company

## Insurance Carriers Rated A-

- Security Life of Denver Insurance Company

## Insurance Carriers Rated BBB+

- Delaware Life Insurance Company

## Insurance Carriers Rated BBB

- Talcott Resolution Life Insurance Company

\*Categories based on S&P's Financial Strength Rating as of February 17, 2020

# Current Moody's Financial Strength Ratings

## Insurance Carriers Rated Aaa

- New York Life Insurance Company
- Northwestern Mutual Life Insurance Company

## Insurance Carriers Rated Aa1

- USAA Life Insurance Company

## Insurance Carriers Rated Aa2

- Guardian Life Insurance Company of America

## Insurance Carriers Rated Aa3

- Canada Life Assurance Co. (US Branch)
- Great-West Life and Annuity Insurance Co.
- Massachusetts Mutual Life Insurance Co.
- Metropolitan Life Insurance Company
- Metropolitan Tower Life Insurance Company
- Pruco Life Insurance Company
- Prudential Insurance Company of America
- Zurich Insurance Company

## Insurance Carriers Rated A1

- John Hancock Life Insurance Company (USA)
- Lincoln National Life Insurance Company
- MONY Life Insurance Company
- Nationwide Life & Annuity Insurance Company
- Nationwide Life Insurance Company
- Pacific Life Insurance Company
- Principal Life Insurance Company
- Symetra Life Insurance Company
- Transamerica Life Insurance Company
- West Coast Life Insurance Company

## Insurance Carriers Rated A2

- American General Life Insurance Company
- Connecticut General Life Insurance Company
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Co. of America
- Jackson National Life Insurance Company
- MONY Life Insurance Company of America
- National Life Insurance Company of Vermont
- Reliastar Life Insurance Company
- U.S. Life Insurance Company in The City of NY

## Insurance Carriers Rated A3

- Allstate Life Insurance Company
- Brighthouse Life Insurance Company
- Zurich American Life Insurance Company

## Insurance Carriers Rated Baa1

- Security Life of Denver Insurance Company

## Insurance Carriers Rated Baa2

- None

## Insurance Carriers Rated Baa3

- Talcott Resolution Life Insurance Company

\*Categories based on Moody's Insurance Financial Strength Rating as of February 17, 2020

# Ratings or Outlook Revisions

## Aegon N.V.

- Fitch rating **withdrawn**; Fitch cited "commercial reasons" (Dec)

## Transamerica Life Insurance Company

- Fitch rating **withdrawn**; Fitch cited "commercial reasons" (Dec)

## Principal Life Insurance Company

- Outlook revised from stable to **positive** by Moody's (Dec)

## Connecticut General Life Insurance Co.

- Outlook revised from Negative to **Stable** by S&P (Jan)

## Security Life of Denver Insurance Company

- Rating **downgraded** from A to A- by Fitch (Jan)
- Rating **downgraded** from A3 to Baa1 by Moody's (Jan)
- Rating **downgraded** from A+ to A- by S&P (Jan)

## Jackson National Life Insurance Company

- Outlook changed from Stable to **Negative** by S&P (Feb)

## Allstate Life Insurance Company

- Rating **downgraded** from A+ to BBB by Fitch (Feb)
- Rating **downgraded** from A2 to A3 by Moody's (Feb)

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# Industry Developments

## Resolution Life Group Holdings Acquisition of Voya Financial Block (Jan)

- On January 4, 2021, Resolution Life Group holdings completed its [acquisition of Voya's inforce life insurance business](#), which includes Security Life of Denver Insurance Company.
- Approximately 350 employees and the systems used to manage the business were transferred to Resolution Life. Resolution Life expects to transition from Voya's systems to their own.
- The ratings actions on prior pages were published following the completion of the acquisition.

## Sixth Street to Acquire Talcott (Feb)

- On January 20, 2021, Talcott Resolution Life Insurance Company (Talcott) [announced that Sixth Street entered into a definitive agreement](#) to acquire the Talcott from its consortium of private equity investors. The deal is expected to close in the second quarter 2021, subject to regulatory approvals.
- Following the announcement of the proposed acquisition, Moody's affirmed Talcott's Baa3 rating. AM Best [commented](#) that the long-term issue crediting ratings of Talcott Resolution remain unchanged. Both Moody's and AM Best noted Talcott's strong capitalization as rationale for maintaining the current ratings.

# Industry Developments

## Allstate Sale to Blackstone (Feb)

- On January 26, 2021, Allstate Corporation [announced an agreement to sell Allstate Life Insurance Company](#) to entities managed by Blackstone for \$2.8 billion. The deal is expected to close in the second half of 2021 subject to regulatory approval.
- The ratings actions listed on prior pages occurred following the announcement of the proposed acquisition. Both releases note the downgrades reflect the removal of implicit support from the parent company, Allstate Corporation.

# COUNTERPARTY TRACKING SYSTEM

✓ Risk Management

Monitor credit of BOLI Carriers, SVP Providers, and other counterparties

✓ Exclusive Access to Ratings

We offer an extensive database of Financial Strength Ratings & Issuer Credit Ratings

✓ Monthly Newsletter

Curated information covering insurance companies and counterparty exposures within your BOLI program

## Custom Reports

Net Rating Changes by Period (Number of Notches)					
2019 Q4	2019 Q3	2019 YTD	2018	2017	2016
-	-	-	-	-	-
-	-	-	1	-	-
-	-1	-1	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-2	-	-
-	-	-	-1	-	-
-	-	-	-1	-	-

Custom reports show historical changes to ratings to view stability and trends over time

Insurance Carriers	Current Financial Strength Ratings			Net Rating Changes by Period (Number of Notches)											
	Agency	Rating	Outlook	2019 Q4	2019 Q3	2019 YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010
Carrier 1	S&P	A+	Stable	-	-	-	-	-	-	-	-	-	-	-	-1
	Fitch	A+	Positive	-	-	-	1	-	-	1	-	-	-	-	-1
	Moody's	A2	Stable	-	-1	-1	-	-	-	-	-	-	-	-	-
Carrier 2	S&P	AA	Stable	-	-	-	-	-	-	-	-	-	-	-	-
	Fitch	AA	Stable	-	-	-	-	-	-	-	-	-	-	-	-1
	Moody's	Aa3	Stable	-	-	-	-	-	-	-	-	-	-	-	-
Carrier 3	S&P	A	Negative	-	-	-	-2	-	-	-	1	1	-	-	-
	Fitch	A	Stable	-	-	-	-1	-	-	-	1	-	-	-	-
	Moody's	A2	Stable	-	-	-	-1	-	-	-	1	-	-	-	-

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