



M Financial Group™

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# M Intelligence

Enhancing understanding of sophisticated planning strategies and their applications.

## The Financial Strength of Symetra

M Financial Group's newest Associate Carrier relationship is with Symetra Financial Corporation (Symetra). Symetra has nearly \$30 billion in consolidated assets<sup>1</sup>, which ranks it among the top 40 life insurance groups in the United States. M's Product Development Group (PDG) endorsed the decision to form a relationship with Symetra based on its competitive strengths in certain product areas, strong underwriting, and a commitment to delivering service consistent with M standards.

### Comdex

The operating entities of Symetra have a Comdex score of 80. Comdex is a rating/scoring system that converts a company's ratings into a percentile score. According to Ebix, Inc.—the developer of Comdex—the system is an average percentile of a company's rating. The number itself is not a rating, but is a composite score of all of the ratings the company has received pegged to a scale of 1 to 100 in relation to other companies (located within the same country) that have been rated by the same agencies<sup>2</sup>. By definition, Symetra's 80 Comdex score implies that its ratings are on average at the 80<sup>th</sup> percentile<sup>3</sup> among all life insurance companies. Comdex does not compare financial strength of companies in differing jurisdictions.

Comparing one company's Comdex score to another may be useful in evaluating the financial strength of each company relative to one another. However, the score itself is not useful in assessing a company's financial strength without having the context of the absolute financial strength of every other company included in Comdex. For example, one would not conclude that a Brazilian life insurer with a 80 Comdex<sup>4</sup> would be as financially strong as a U.S. life insurer with the same Comdex score, based upon the generally accepted view that U.S. life insurers are much stronger financially than Brazilian life insurers.

1. Combined assets of subsidiaries Symetra Life Insurance Co. and First Symetra National Life Insurance Co. Figure excludes assets held in separate accounts, which exceeds \$5 billion.

2. <http://www.ebixlife.com/vitalsigns/comdexconfus.aspx>.

3. This means that Symetra's ratings are as good, or better, than 80% of U.S. life insurance companies.

4. Ebix does not generate Comdex scales for life insurers outside of the U.S. and Canada.

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Below are Symetra’s financial strength ratings from the four NRSROs<sup>5</sup>.

Rating Agency	Rating	Description	Outlook	Ranking
A.M. Best	A	Excellent	Stable	3 <sup>rd</sup> of 15
Fitch	A	Strong	Stable	6 <sup>th</sup> of 21
Moody’s	A1	Good	Stable	5 <sup>th</sup> of 21
S&P	A	Strong	Stable	6 <sup>th</sup> of 20

Each of Symetra’s ratings would typically be defined as ‘investment grade’ if the ratings were a measure of credit quality rather than financial strength. Comdex, especially at the higher ratings, can be very sensitive to shifts in ratings. For example, if Symetra’s S&P rating was upgraded to ‘A+’, the Comdex score would improve to 82. In addition, if Fitch’s rating was upgraded to ‘A+’, then Symetra’s Comdex score would increase to 84. A third upgrade from A.M. Best to ‘A+’ would result in a Comdex score of 88.

### Ratings Commentary

One of the best methods for assessing the financial strength, or risk of insolvency, of a life insurance company is to read the qualitative assessment by the rating agency. A review of the rating reports<sup>6</sup> issued by A.M. Best, Fitch Ratings, Moody’s Investors Service, and Standard & Poor’s yields the following observations on Symetra.

Symetra has:

- A favorable operating earnings profile with consistent profitability.
- Solid risk-adjusted capitalization and capital adequacy.
- A prudently managed investment portfolio with strong liquidity and asset quality.
- A stable liability profile.
- Benefits from its ownership by parent company Sumitomo Life of Japan.

In addition to the positive factors, rating agencies also note that Symetra:

- Has a weaker business profile because of the modest scale of its life insurance business.
- Is vulnerable to the low interest rate environment due to the interest-sensitive nature of its business, particularly group health, bank-owned life insurance, and fixed annuities.

### Carrier Insolvency

The life insurance industry and its financial and actuarial consultants, life insurance ratings agencies, and state insurance regulators, learned some important lessons from the company failures of the late 1980s and early 1990s and effectively enhanced regulatory policyholder protections. These standards—including Risk Based Capital, a Financial Regulation Standards and Accreditation Program, and Codification of Statutory Accounting Principles—provide consistency, transparency, and an early solvency warning system for regulators, all of which benefit policyholders.

5. Nationally recognized statistical rating organization.

6. “Symetra Life Insurance Company, Credit Report”, A.M. Best, March 1, 2017.

“Symetra Financial Corporation and Subsidiaries, Full Rating Report”, Fitch Ratings, January 3, 2017.

“Symetra Financial Corporation, Credit Opinion”, Moody’s Investors Service, October 6, 2017.

“Symetra Financial Corp. and Life Insurance Subsidiaries”, Standard & Poor’s, July 17, 2017.

# M Intelligence

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The Standards appear to be working, as evidenced by the low ratio of life and health company impairments since the early 1990s. According to A.M. Best, since 1993 the average impairment<sup>7</sup> rate of life/health insurance companies has been 0.5%. And of the more than 750 impaired companies since 1969 only three had surplus in excess of \$500 million.

Symetra Life's consolidated NAIC risk-based capital ratio at year-end 2016 was 413%, which is far above the Company Action Level threshold of 200%, where the insurer is required to file a financial and business plan with the state insurance commissioner. In addition, Symetra's combined surplus exceeds \$2 billion, which makes it many times larger than the typical company that requires regulatory intervention.

M Financial Group will continue to execute its client advocacy strategy by providing Due Care insight and analysis on individual life carriers, and the life insurance industry as a whole, to facilitate informed buying decisions.

### Appendix—Excerpts from Rating Agency Reports<sup>6</sup>

#### A.M. Best

*"As a result of Symetra's favorable overall operating earnings, risk-adjusted capital remains solid, enabling Symetra to maintain its strong balance sheet as evidenced by its strong liquidity, modest leverage and stable liability profile relative to its peers."*

*"Symetra maintains a more than adequate risk-adjusted capital position relative to its insurance and investment risks."*

#### Fitch Ratings

*"Fitch views Symetra Life's risk-adjusted capital as strong for the rating. Symetra's RBC ratio declined in first-half 2016 to an estimated 411% from 424% as of year-end 2015. However, RBC remains above management's stated target of 350%."*

*"Symetra's risky asset ratio of 71% remained below the industry (80%) at year-end 2015, due to its below-average Schedule BA exposure."*

*"Fitch considers Sumitomo's acquisition of Symetra positively, as Symetra's new parent will potentially provide it with greater scale and resources for growth initiatives."*

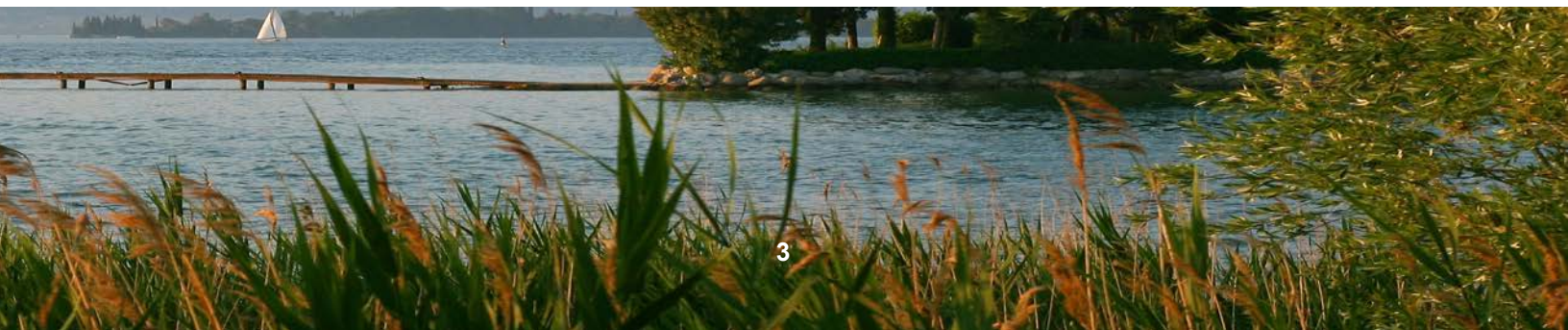
#### Moody's Investors Service

*"Moody's A1 insurance financial strength rating of Symetra Life Insurance Company...reflects the company's strong capital adequacy, consistent and good profitability and financial flexibility. The rating is also supported by Symetra Life's strong asset quality and relatively stable liability profile."*

#### Standard & Poor's

*"Symetra has very strong capital and earnings, and we expect it to maintain them despite low investment yields. Its operating performance, supported by diverse earnings and a prudently managed investment portfolio, supports its very strong risk adjusted capitalization."*

7. Defined by A.M. Best as a company that required regulatory action to be taken by a state insurance department.





# M Intelligence

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