Research Update:

Mutual of America Life Insurance Co.
'AA-' Rating Affirmed On Criteria Review; Outlook Stable

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Overview

• Following a review under our revised insurance criteria, we are affirming our 'AA-' ratings on MoA.
• Our ratings on MoA reflect the group's strong business risk profile, enhanced by its relatively low-risk product profile and the stability of its salaried distribution in a niche market with few competitors, and extremely strong financial risk profile that is supported by the strength and consistency of capital.
• The stable outlook reflects our expectation that MoA will maintain its strong competitive position, extremely strong capital as measured by our capital model, low-risk product, and favorable niche-market focus.

Rating Action

On July 24, 2013, Standard & Poor's Ratings Services affirmed its 'AA-' long-term financial strength and issuer credit ratings on Mutual of America Life Insurance Co. (MoA). The outlook is stable.

Rationale

The financial strength and issuer credit ratings on MoA reflect our view of the company's business risk profile (BRP) as strong and financial risk profile (FRP) as extremely strong. Our view of MoA's BRP is based on its strong competitive position in the pension and retirement market with small to midsize nonprofit organizations. Our view of the company's FRP is well supported by its extremely strong capital adequacy, as measured by our capital model. We derive an 'aa-' anchor on MoA because its relative business and financial risk are enhanced by the strength and consistency of its capital, its relatively low-risk product profile, and the stability of its salaried distribution in a niche market with few competitors.

MoA operates within the highly developed U.S. life insurance market and therefore faces low industry and country risk. We base our view of MoA's low country risk on the U.S.'s stable economic growth prospects, relatively effective and stable political institutions, sophisticated financial systems, and strong payment culture. In our view, MoA's pension and retirement operations are exposed to low industry risks due to the relatively low risk profile of its products, as demonstrated by the company's lack of exposure to high-risk living benefit and minimum investment performance guarantee riders. We see MoA's general sensitivity to interest rates and equity-market
volatility as moderately offsetting this strength, however, and potentially burdening long-term operating return prospects.

We consider MoA's competitive position to be strong based on its well-established market position as a provider of pension and retirement products and services to small and midsize nonprofit organizations. MoA's competitive advantage in this niche market benefits from its fully controlled, salaried distribution force, whose primary focuses include retention of assets and delivering high levels of customer service to employers and plan participants. We believe the level of service intensity associated with the small plans that MoA targets significantly limits competition, particularly from larger insurers. As a mutual insurance company, MoA has been able to leverage its extremely strong capital position and its relatively substantial deferred tax asset to offer very competitive fee structures and crediting rates on its products. MoA's competitive strengths are demonstrated by its consistently strong growth and much-improved operating performance.

We view MoA's capital and earnings as extremely strong, based on the company's extremely strong capital adequacy as measured by our capital model. In addition, we believe the quality of capital is extremely strong, given the high market value relative to book value of the company's high-quality real-estate assets. MoA's total adjusted capital (TAC) was $962 million as of year-end 2012, up from $896 million as of year-end 2011. The increase in TAC primarily reflects statutory net income in 2012 of $45 million, up from $41 million in 2011. We believe management is committed to keeping capital adequacy extremely strong, although the company will likely have to produce higher earnings to maintain its current capital strength. We expect capital adequacy to remain extremely strong and commensurate with our target benchmark for the ratings, as measured by our capital model, through year-end 2015.

We view MoA's risk position as intermediate, largely due to its high-quality and well-diversified investment portfolio. The company's investment portfolio is managed internally by its wholly owned investment subsidiary, Mutual of America Capital Management Corp. MoA has well-defined credit risks limits, which are set by its board's investment committee, which also provides regular oversight to ensure compliance with the limits. The board and senior management receive quarterly and monthly reports, and management reviews a daily monitoring report. MoA's investment portfolio consists primarily of public bonds, which account for about 95% of invested assets. The company manages the bond portfolio's credit quality conservatively, with an average credit quality of 'A+'. We consider MoA's asset/liability management practices to be in line with industry standards and appropriate for its risk profile. MoA segments its assets according to each major product line. The company's portfolio managers purchase securities to match the characteristics of the liabilities, with a view toward maximizing yield. MoA monitors and evaluates asset/liability matching monthly and reports results to the board quarterly. A monthly report, which the company distributes to management, shows yield and duration by segment. Cash-flow testing under New York's Regulation No. 126 demonstrates favorable results in all scenarios, as with successive, prior-year results. By segment, the company's asset/liability duration
mismatches are all well within one year.

We view MoA's financial flexibility as adequate. As a mutual insurance company, MoA's access to the capital markets is limited. However, given its extremely strong capital adequacy and conservative investment and product risk profile, the potential need for external capital is low. MoA currently has no debt so should a capital need arise, the company could have substantial capital-raising capacity through surplus note issuance. In this case, however, its lack of track record with such issuances could be a limiting factor.

We view MoA's management and governance as satisfactory. MoA has a well-developed strategic planning process, which covers all of its business units and includes participation from the senior management team and board of directors. MoA has been reasonably successful in implementing its long-range strategic plan and achieving related objectives. We believe MoA's management is well experienced in operating each of the company's lines of business and has demonstrated a high level of effectiveness in grasping and reacting to evolving market and business conditions and competitive challenges. For example, management was very successful in managing the company's transition to a taxable entity from a tax-exempt entity. Moreover, management's response to the increased demand for thrift and individual retirement products in the nonprofit sector has been highly successful.

We view MoA's overall enterprise risk management (ERM) as adequate. Given the company's conservative investment and product risk profile, we consider ERM to be of low importance to the rating. The company's risk-management framework is organized around a committee process that collectively addresses key risks. The committees maintain checks and balances for the risks the company takes, spanning areas such as product design and service, investments, technology, pricing, underwriting, and regulation/compliance. MoA's key risks are credit risk, interest-rate risk, market risk, insurance risk, and operational risk. We believe the company has adequate risk controls around all of its key risks. Credit and interest rate risks are moderate, and the company adequately monitors and enforces documented guidelines. Market risk is low, with less than 1% of its invested assets in equities. The general attractiveness of the equity investment funds the company makes available to its customers and the associated assets under management-based fees that MoA derives from them drive other market exposure. Insurance risk is minimal, given the company's savings-plan orientation. Operational risk management is well developed, with strong information technology systems and operational support.

We consider MoA's liquidity to be strong based on our 2012 liquidity model score of 156%. Although the majority of MoA's insurance liabilities do not have surrender-charge protection, we believe the company has structured its group and individual plans to minimize withdrawal risk. For example, with its group plans, a withdrawal from a fixed-return general account product requires a complete plan termination, including all plan products in the separate accounts. In addition, about three-quarters of the accumulation reserves require individual participant consent for withdrawal, thus reducing the likelihood of complete group withdrawals. Furthermore, MoA does not offer
split plans, which would allow a plan sponsor to purchase only its general account fixed product and use other insurers or funds for equity-based or fixed-return investment options. We believe this restriction limits disintermediation risk. With respect to its book of business, participants cannot withdraw funds unless they retire, are terminated, or completely withdraw from the sponsor plan (and the incentive matching) for at least one year.

Outlook

The stable outlook reflects our expectation that MoA will maintain its strong competitive position in its target niche market, extremely strong capital adequacy, as measured by our capital model, and low-risk product and favorable niche market focus.

We could lower the ratings if, contrary to our expectations:
• The company's capital adequacy falls below our 'AAA' redundancy benchmark for the ratings, as measured by our capital model;
• MoA experiences a significant loss of market position, that leads us to revise our view of its competitive position to adequate instead of strong;
• MoA diverges from its low product risk profile by offering riskier products or product features.

We are unlikely to raise the ratings on MoA in the next 24 months.

Ratings Score Snapshot

Financial Strength Rating AA-/Stable/--
BRP/FRP Anchor aa-
Business Risk Profile Strong
  IICRA Low Risk
  Competitive Position Strong
Financial Risk Profile Extremely Strong
  Capital & Earnings Extremely Strong
  Risk Position Intermediate Risk
  Financial Flexibility Adequate
Modifiers 0
  ERM and Management 0
  Enterprise Risk Management Adequate
  Management & Governance Satisfactory
  Holistic Analysis 0
Liquidity Strong
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Support 0
Group Support 0
Government Support 0

Related Criteria And Research

- Insurance Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Group Rating Methodology, May 7, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Ratings List

Ratings Affirmed

Mutual of America Life Insurance Co.
Counterparty Credit Rating
Local Currency AA-/-Stable/--
Financial Strength Rating
Local Currency AA-/-Stable/--

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.