Retirement Income
JOURNAL

Allianz Life and AIG report 2018 results

By Editorial Staff *Wed, Feb 20, 2019*

Allianz Life's fixed indexed annuity (FIA) sales reached $9.2 billion, up 23% over the previous year. AIG's Individual Retirement unit reported $1.68 billion in adjusted pre-tax profit in 2018, down 27% from 2017, according to the latest 10-K report.

Allianz Life Insurance Company of North America this week announced its 2018 financial results, with assets under management rising to $138 billion and total premium reaching $12.7 billion, 16% higher than 2017.

Allianz Life’s operating profit topped $1 billion for the third year in a row. Though in line with expectations, it was down slightly from the record $1.18 billion in 2017 due to market volatility. The company paid $2.8 billion in life insurance and annuity benefits to policyholders and contract owners in 2018, up 7% from 2017.

Life insurance premium hit a record high in 2018, rising 7% to $101 million. Fixed index annuity (FIA) sales reached $9.2 billion, up 23% over the previous year. Allianz Life continues to be a top seller of FIAs in the United States. Index variable annuities (IVA) premium were $2.11 billion in 2018, down slightly from 2017.

More than 7% of Allianz SE global operating profit in 2018 was generated by its Allianz Life subsidiary (and more than 20% of Allianz SE global operating profit in the life/health sector).

Allianz Life retained all of its ratings in 2018. Current ratings include:

- Standard & Poor’s: AA (Very Strong), the third highest of 21 possible ratings.
- Moody’s Investors Service: A1, the fifth highest of 21 possible ratings.
- M. Best: A+ (Superior), the second highest of 16 possible ratings.

American International Group, Inc.

AIG reported a net loss of $622 million, or $0.70 per share, for the fourth quarter of 2018, compared to a net loss of $6.7 billion, or $7.33 per share, in the prior-year quarter.

Adjusted after-tax loss was $559 million, or $0.63 per share, for the fourth quarter of 2018, compared to adjusted after-tax income of $526 million, or $0.57 per diluted share, in the prior-year quarter.

“Throughout 2018, significant foundational work was undertaken to remediate AIG’s core underwriting capabilities,” said Brian Duperreault, AIG’s president and CEO, in a release. We moved quickly to reduce risk and volatility, as well as implement strategies that we believe will accelerate our progress in 2019.”

(All comparisons are against the fourth quarter of 2017, unless otherwise indicated.)

Net investment income

Fourth quarter net investment income from our insurance companies, including the Legacy insurance portfolios, decreased 18.1% from the prior-year quarter to $2.8 billion.

The fourth quarter was impacted by net losses on alternative investments as well as investments in equity securities resulting from elevated volatility in the credit markets and unfavorable performance in the equity markets. For the full year, net investment income from our insurance companies, including the Legacy insurance portfolios, totaled $12.7 billion.

Life and retirement earnings

Fourth quarter adjusted pre-tax income of $623 million reflected the impact of declining equity markets and widening credit spreads in all businesses, against a backdrop of attractive new business margins, and solid growth in premiums and deposits in Individual Retirement, Group Retirement and Life Insurance as well as several opportunistic Institutional Markets transactions.

GOE increased primarily due to new business acquisition, international expansion, and investments in core businesses. The fourth quarter of 2018 adjusted return on equity was 9.8%.

Life and retirement – Commentary

In Individual Retirement, adjusted pre-tax income reflected lower net investment income due to lower base spreads and yield enhancements and lower fee income driven by unfavorable credit and equity market performance. Net flows excluding Retail Mutual Funds were positive and reflected strong sales.

In Group Retirement, adjusted pre-tax income reflected lower fee income, lower base spread and yield enhancements driven by unfavorable credit and equity market performance and continued investments made in the business. Group Retirement net flows reflected higher sales offset by higher surrenders due to the loss of large plan accounts, as well as higher individual surrenders.

In Life Insurance, adjusted pre-tax income reflected higher net investment income due to business growth and higher alternative investments returns. Mortality was favorable to pricing expectations.

In Institutional Markets, adjusted pre-tax income reflected investments in technology and infrastructure and reserve refinements, partially offset by growth in the portfolio, which drove higher net investment income.