
Conning Predicts Life Annuity Rebound By 2010

By Editor Test *Sun, Jun 7, 2009*

Individual annuity net premiums are expected to grow to \$225.2 billion in 2010 from \$188.5 billion in 2007.

Conning Research and Consulting's "Life-Annuity Forecast & Analysis, 2008" puts dollar estimates on the life and insurance industries losses stemming from the market crash of 2008 and predicts a modest recovery by 2010. A copy of the report can be obtained at conningresearch.com.

Individual annuity net premiums are expected to grow to \$225.2 billion in 2010 from \$188.5 billion in 2007, while net flows should improve to 15.1% in 2010 from -1.5% in 2007, thanks to a reduction in surrenders, according to the report's executive summary. Carriers will significantly strengthen general account reserves to support guaranteed death and living benefits.

Net operating losses after taxes and dividends were an estimated \$1.6 billion for 2008, with positive operating gains of \$2.7 billion and \$4.6 billion predicted for 2009 and 2010, respectively. Operating margins are forecast to be -0.8% in 2008, 1.3% in 2009, and 2.0% in 2010, according to the research firm, which is based in Hartford, Conn.

"A projected decline in capital and surplus, due to the combination of negative net income and realized and unrealized capital losses in 2008, combines with a potential increase in the minimum capital required to support variable annuity guarantees to produce a capital squeeze that could reduce some insurers' ratings," the report warns. It forecast a drop of \$76.8 billion in surplus in 2008 would result in the median dropping to approximately 325% for 2008.

"It is likely that 2009 will bring additional reductions in surplus as the full force of the crisis takes effect. Therefore, the ratio will drop below the ratio reached in the 2001-2002 downturn. This capital squeeze could lead some insurers to exit the individual annuity line, seek additional capital, or merge with other insurers," the executive summary said.

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