Fitch publishes “US Life Insurance GAAP Results Dashboard”

By Editorial Staff *Fri, Sep 11, 2015*

"Operating results were almost evenly split between companies reporting better returns in first-half 2015 and those reporting worse returns during the period," Fitch analysts wrote.

Analysts at Fitch Ratings published the following summary of the first-half 2015 financial results for 17 financial services companies:

Operating Return on Average Equity

	Dec. 31		June 30	
	2013	2014	2014	2015
Aflac	21.4	20.5	21.7	19.4
American Equity	13.8	13.8	11.3	13.6
Voya Financial	8.0	8.5	8.2	7.3
CNO Financial	6.7	6.4	6.1	6.3
Genworth Financial	4.6	(3.1)	5.1	4.5
Lincoln National Corp.	12.3	13.4	12.8	11.6
MetLife	12.1	11.9	11.5	12.0
Principal Financial	12.0	14.5	13.9	14.5
Protective Life	11.6	12.8	12.4	5.5
Prudential Financial	16.6	15.4	16.0	18.3

	Dec. 31		June 30	
	2013	2014	2014	2015
RGA	7.1	12.1	10.4	9.4
StanCorp Financial	12.6	11.6	9.4	12.5
Torchmark Corp.	15.4	15.0	15.3	14.7
Unum Group	12.7	6.2	12.2	12.6
Ameriprise Financial	17.2	19.3	18.9	19.7
Symetra	8.7	9.6	10.1	7.7
Primerica	13.7	15.7	15.5	15.8
Average	12.7	12.1	12.7	12.8
Median	12.3	12.8	12.2	12.5

Source: Company filings, SNL Financial, Fitch.

Operating profitability relatively flat

During first-half 2015, pretax operating earnings increased 2% over the prior-year period for GAAP reporting companies in Fitch’s rating universe. Pretax operating income continued to benefit from higher fee income, which was offset by lower interest margins and unfavorable mortality. Operating profitability remained relatively flat with average operating ROE of 12.8% in first-half 2015 compared with 12.7% in the prior-year period.

Results vary by segment

Variable annuities, retirement plans and asset management segments continued to benefit from higher account values caused by strong equity markets and solid sales during first-half 2015.

Results in individual life and fixed annuities were adversely affected by unfavorable mortality and continued interest margin compression during the period. The group benefits business was aided by favorable claims experience but continues to face competitive pricing pressure.

Company results mixed

Operating results were almost evenly split between companies reporting better returns in first-half 2015 and those reporting worse returns during the period. Notable items affecting individual company results include a favorable impact from deferred acquisition cost unlocking and reserve releases at Prudential Financial, Inc. and more favorable claims experience in StanCorp Financial Group, Inc.’s primary products. Alternatively, Aflac Incorporated’s results were adversely affected by currency volatility while Protective Life Corporation’s results reflect accounting-related changes due to its acquisition by Dai-ichi Life Insurance Co., Ltd.

Declining investment yields

Investment yields declined in first-half 2015 due to low reinvestment rates and new money invested at lower market yields. Partially offsetting the low rates were prepayment fees and higher returns on Schedule BA assets. Credit impairments remain very low due to a continuous decline in corporate defaults, a trend that began in 2010.

However, interest margin compression on spread-based products remained modest in first-half 2015. Active management of crediting rates and hedging activity continue to mitigate the impact of low interest rates.

Derivative gains

The realized gains for Fitch’s rating universe nearly tripled during first-half 2015 to $2.4 billion from $813 million in the prior-year period. The increase was primarily driven by substantial hedging-related derivative gains from Prudential Financial, Inc.