Lower expenses and lower taxes put life/annuity industry in the black

By Editorial Staff *Thu, Sep 7, 2017*

Total income dropped 7% to $348.9 billion, as large reinsurance agreements undertaken in 2016 and 2017 drove the results, a spokesman for A.M. Best said.

Net income for the U.S. life/annuity (L/A) industry in the first half of 2017 rose to $18.5 billion, versus a net loss of $2.6 billion for the same period in 2016, according to a new *Best's Special Report*, "A.M. Best First Look—2Qtr 2017 U.S. Life/Annuity Financial Results."

The significant increase in net income was mainly due to a $45.0 billion drop in total expenses and taxes and a $1.2 billion improvement in realized capital losses, according to the report.

In addition, capital and surplus for the industry increased by $12.2 billion since the start of the year and reached a record $365.6 billion as of June 2017. The significant improvement in net income and a 15.2% reduction in stockholder dividends offset steep declines in unrealized gains and contributed capital.

Large reinsurance agreements undertaken in 2016 and 2017 drove the results.

Total income dropped 7% to $348.9 billion. The reduction in income was further exacerbated by a 40% decline in commissions and expense allowances on reinsurance ceded, again due to the reinsurance agreements.

A 24% increase in other income was not enough to overcome these declines. Despite the drop in income, the reduction in expenses drove pretax net operating gain up 350% over the prior year to $25.3 billion.

The report is based on data derived from companies' six-month 2017 interim statutory statements that were received by Aug. 21, 2017, representing an estimated 84% of total industry premiums and annuity considerations.