
Net income of stock life/annuity firms tripled in 2021: AM Best

By Editorial Staff Thu, Apr 14, 2022

'The persistent drag from low interest rates continues to impact margins, but ongoing growth in general account invested assets has pushed investment income higher,' said Best's analysts.

Publicly traded US life/annuity insurance companies saw a strong recovery in 2021, with net income more than tripling to \$32.5 billion in 2021 from the previous year, driven largely by a 13% boost in revenue, according to a new AM Best report.

The industry saw a \$35 billion increase in revenue to \$297.5 billion in 2021, coming on the back of a modest increase in premiums, as well as increases in net investment income and realized gains, according to the report.

Companies continue to perform relatively well despite volatility in mortality from COVID-19 and still consider COVID-19 mortality as having an earnings impact rather than a balance sheet impact, suggesting no significant changes to reserves. Most carriers continue to experience higher mortality rates than usual; in 2021, mortality was higher for working-age populations, which affected individual and group life claims.

Other report highlights include:

Net investment income rose by roughly \$11.9 billion to \$85.7 billion. The persistent drag from the low interest rate environment continues to impact margins, but ongoing growth in general account invested assets, aided by premium growth and assets under management, has pushed investment income higher.

Of the 17 publicly traded companies in the analysis, 13 experienced a decline in capital, amounting to an overall 5% decrease. Share buybacks, which were halted during the pandemic, resumed in 2021; the return of share repurchases, as well as a modest increase in dividends paid, contributed to the decline in capital.

Total debt among publicly traded life/annuity insurers remained essentially flat in 2021 at \$85.7 billion. Most of the companies that have been able to take advantage of the low interest rate environment and issue long-term debt have already done so, either to fund business growth or for upcoming maturities.

Investors continue to shift to indexed products from fixed-rate ones to seek protection from

rising inflation. Traditional variable annuities experienced very strong growth, bolstered by favorable equity markets—while registered indexed-linked annuities continued the rapid growth of prior years.

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