Net income of U.S. life/annuity industry drops in first-half 2018: A.M. Best

By Editorial Staff *Thu, Aug 30, 2018*

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The U.S. life/annuity industry's net income dropped nearly 13% in first-half 2018, according to a *Best's Special Report* published this week. That decline, along with an increase in stockholder dividend payments, drove industry capital and surplus down by 1.8% compared with the prior year-end.

The report, "A.M. Best First Look—First Half 2018 Life/Annuity Financial Results," is based on data from companies' six-month 2018 interim statutory statements received as of Aug. 21, 2018, representing about 85% of total industry premiums and annuity considerations.

During the first half of 2018, the U.S. life/annuity industry experienced:

- A $6.0 billion decline in premiums and annuity considerations.
- A $5.9 billion increase in net investment income.
- A 9.5% decline, to $24.9 billion, in pretax net operating gains from the prior year period.
- A $3.5 billion reduction in federal and foreign taxes.
- Net realized capital losses of $3.3 billion.
- $17.0 billion in total net income, down from $19.5 billion in the same period of 2017.
- A drop in capital and surplus to $371.4 billion in first-half 2018 from $378.3 billion at the start of the year.

The trend of reduced cash and bond positions in the industry continued during the first half of 2018, with further increases to mortgage loans and other invested assets. Mortgage loans constituted 12.4% of total invested assets in the first half of 2018, up 41% from the first half of 2014.