

## Performance of life insurer stocks cools in 2014: A.M. Best

By Editorial Staff      Thu, Jun 5, 2014

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In a May 26 report on the stock market performance of major publicly held life insurance companies, A.M. Best notes that the sector's 62% gain in 2013 was followed by a four percent decline as of May 9, 2014.

Highlights from the report, which costs \$80 at the A.M. Best [website](#), included:

- The top performers in the first quarter of 2014, based on variance from consensus EPS estimates, were Symetra, Principal Financial and Genworth, whose estimates beat by 37%, 15% and 11%, respectively.
- Life/annuity stocks are trading at 11.8 times trailing 12-month operating earnings and 1.3 times adjusted book value, which compares to historical multiples of 12.7 and 1.2, respectively. Two stocks trading at lower-than-historical P/E ratios are Lincoln National at 9.3 times earnings versus its 15.3 historical average; and Prudential at 8.5 times versus its 14.3 average.
- Insiders sold more than 2.5 million shares in the first quarter (\$120 million), compared with only 2,000 shares (\$31,000) repurchased.
- Cash dividend payouts increased 14% in the first quarter of 2014 to \$1.5 billion from \$1.3 billion in the prior-year period. The dividend payout ratio also increased to 21.5% from 20.2% a year earlier. The largest issuers in the quarter were MetLife (\$311 million), Prudential (\$247 million) and Sun Life (SLF-C) (C\$220 million).
- Repurchase activity doubled in the first quarter of 2014. Life/annuity companies spent \$2 billion repurchasing their shares, with Aflac (\$405 million), Prudential (\$250 million) and Voya (\$250 million) accounting for more than 75% of the increase. Companies spent 28.3% of operating earnings via share repurchases in the first quarter of 2014, up from 15.2% in the first quarter of 2013. Life/annuity companies are authorized to repurchase roughly \$10 billion of shares under existing, board-approved repurchase programs, A.M. Best noted.
- Life/annuity companies issued \$4.9 billion of debt in the first quarter, or 26% more than the \$3.9 billion issued in the first quarter of 2013. The largest debt issuers in the quarter were Principal Financial and Manulife, which issued \$3 billion and \$600 million, respectively.

In total, life/annuity companies returned \$3.6 billion (50% of operating earnings) of excess cash to investors in the first quarter. This was a 51% increase over the \$2.4 billion that was returned in the first quarter of 2013. Most notably, Ameriprise, Torchmark and Voya paid out more than they earned this past quarter.