
Publicly-traded U.S. life insurers see 19% income decline: Fitch

By Editorial Staff *Wed, Sep 7, 2016*

Fitch expects low reinvestment rates to continue to be an earnings headwind in the second half of 2016.

The 15 publicly traded U.S. life insurers rated by Fitch Ratings saw their pretax operating income decline 19% in the first half of 2016, the result of “declining interest rates, volatile equity markets and unfavorable macroeconomic headwinds,” a Fitch release said.

“Unfavorable mortality and competitive pricing continue to hurt individual and group life insurance segments while volatile financial markets impacting the variable annuity, retirement plan and asset management segments,” said Dafina Dunmore, director, Fitch Ratings, in a statement.

Industry results were also adversely affected by large reserve adjustments, particularly for MetLife, Inc., and Prudential Financial, Inc. Average aggregate operating return on equity declined to 10.4% in first-half 2016 compared with 13.0% in the prior-year period for Fitch’s rated universe.

The likelihood of interest rates remaining lower for longer was enhanced by the UK vote to withdraw from the European Union (EU), Fitch said, noting that the “Brexit” vote led to a material decline in interest rates in the second quarter of this year. Fitch expects low reinvestment rates to continue to be an earnings headwind in the second half of 2016.

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