Industry Surveys

Life & Health Insurance

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CONTENTS

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CHARTS & FIGURES

NEW THEMES

What's Changed: Higher interest rates and heightened equity and fixed income market volatility will likely spark stronger annuity sales growth in 2023 and 2024. See page 20.

What's Changed: History tells us that demand for annuities usually increases in the aftermath of challenging equity market conditions. Read more on page 22.

EXECUTIVE SUMMARY

CFRA has a neutral fundamental outlook on the Life & Health Insurance sub-industry. Highlighted below are some of our key thoughts about what drove results in 2022 and what is poised to influence life insurers' operations in 2023 and beyond.

Revenue Growth Trends May Be Difficult to Sustain Beyond 2023

Life insurers posted a healthy 9.4% rise in revenues in 2022, fueled by a 20% surge in annuity premiums and deposits, as sales of fixed annuities offset weakness in the variable annuity marketplace. Though results were also helped by the impact of certain reinsurance transactions, underlying revenue growth of 6.3% in 2022 remained well above the industry's 10-year compound annual growth rate (CAGR) of just 2.2%. Though first quarter 2023 revenue growth (which insurers were reporting as this survey was being published) continued to be buoyed by robust demand for fixed annuities, an easing of the Federal Reserve's tightening cycle may dampen fixed annuity demand later in the year and in 2024.

Annuities Re-emerge as a Source of Top Line Growth

Individual and group annuities account for nearly half of the life insurance industry's written premium base and have historically been a source of growth for many life insurers, though an array of restructuring actions have led many insurers to curtail or even exit this business. Individual annuity sales staged a solid recovery in 2022, rising 22%, paced by a 61% surge in fixed annuity sales, partly offset by an 18% drop in variable annuity sales. CFRA forecasts total individual annuity sales will rise by 14% in 2023, driven by an estimated 25% rise in fixed indexed annuity sales and 20% growth in fixed-deferred annuity sales, partly offset by flat variable annuity sales. We caution that these rates are not likely to be a sustainable run rate for annuity writers, and anticipate a deceleration in overall annuity sales growth in 2024 as interest rates moderate.

Insurers' Differing Strategies Are Likely to Produce Divergent Results in 2023 and Beyond

Driven primarily by a (still) relatively low interest rate environment, a looming accounting change, and a reassessment of risk management tactics, many multi-line insurers have shed non-core life and annuity lines of business and transitioned into "pure play" property-casualty underwriters. For life insurers, CFRA expects many of the near-term challenges brought on by the pandemic – such as plummeting sales, a historically and persistently low interest rate environment, and an uptick in claim trends – to ease in 2023. However, the longer-term challenges facing this industry include a shift in consumer consumption habits that extend to how they consume financial services – a trend that could render many life insurance agents obsolete. For insurers that diversified into asset management and other fee-based lines of business, many are grappling with a secular shift to passive asset management that is exacerbating the downward competitive pressure on fee-based revenues. The combination of near-term margin pressures and longer-term existential challenges will likely force many companies to restructure, through aggressively cutting costs and/or shifting business mixes.

Investors' Focus on Balance Sheet Strength and Risk Management Has Pressured Shares of Many Life Insurers

Our neutral fundamental outlook on the Life & Health Insurance sub-industry reflects our view that the positive trend of above-trend top line growth for most insurers is being offset by margin compression amid mixed claim trends and the impact that rising interest rates have on asset values supporting these long-term obligations. Investor concerns over asset-liability, duration, and liquidity management in the aftermath of the regional banking crisis is also renewing the focus on life insurers' balance sheet strength and liquidity. After rising 6.4% in 2022 (versus a 19.4% decline in the S&P 500 Index and a 12.1% drop in the Financials sub-industry index), life insurance stocks sank 15%, year-to-date through May 19, 2023, versus a 9.2% rise in the S&P 500 and a 6.0% pullback in the Financials sector during the same period.

LIFE & HEALTH INSURANCE

Outlook: Neutral

MARKET CAP BREAKDOWN

(as of May 31, 2023)

RANK NO.	COMPANY NAME	MARKET CAP ($ billion)
1	Aflac	38.8
2	AIG*	38.2
3	MetLife	37.9
4	Prudential	28.8
5	The Hartford*	21.3
	Others†	73.7

Source: CFRA, S&P Global Market Intelligence.
Multi-line insurance company.
†Refer to the Comparative Company Analysis section of this survey for other companies in the industry.
Companies included in the S&P 1500 index.

ETF FOCUS

ETF	AUM ($M)	Expense Ratio
KIE Insurance Sector SPDR	491.51	0.35
IAK iShares U.S. Insurance	398.42	0.39
KBWP Invesco KBW Property & Casualty Insurance	329.42	0.35

BY THE NUMBERS

$310.6 billion Total U.S. annuities in 2022 (up by 22% Y/Y)

$129,157 Average 401k balance
$33,472 Median 401k balance

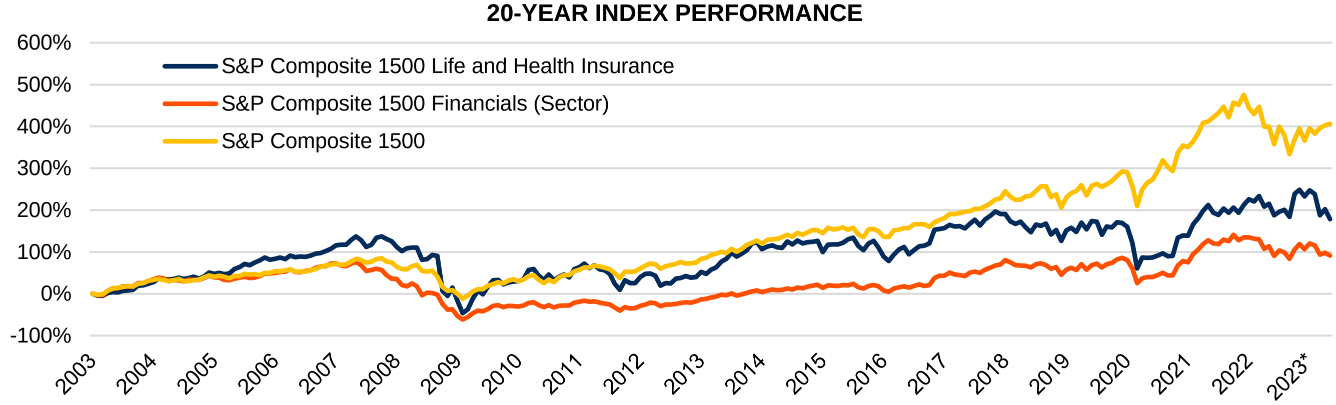
50%+ Of Americans overestimate the cost of life insurance by 300%

50% Of Americans were covered by life insurance in 2022 (2011: 63%)

$700.2 billion Total premiums and deposits in LTM through Q1 2023

106 million Of U.S. adults lacking life insurance or underinsured in 2022

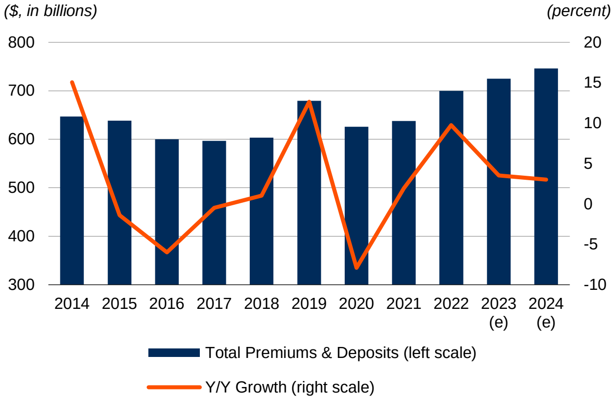
20-YEAR INDEX PERFORMANCE



*Data through May 31, 2023.
Source: CFRA, S&P Global Market Intelligence.

FINANCIAL METRICS

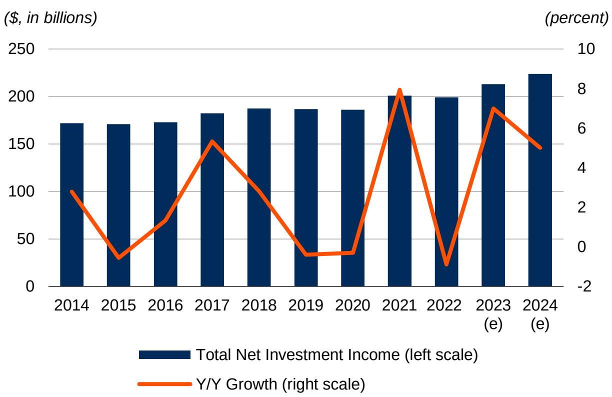
Premiums and Deposits



e-Estimate
Source: CFRA, S&P Global Market Intelligence.

- ◆ CFRA expects life insurance premium growth trends to be more muted in 2023 and 2024, following a strong recovery in the aftermath of the pandemic. We forecast life insurance premium growth of 2% to 5% in 2023 and 2% to 4% in 2024.
- ◆ Total premium and deposit growth trends are heavily dependent on the level of annuity premiums and deposits, since this line of business accounts for nearly half of the industry's revenue base.
- ◆ Annuity premium and deposit growth of 20% in 2022 topped our forecast, reflecting strong inflows into fixed annuities, despite weak variable annuity sales amid a rising interest rate environment. CFRA forecasts premium and deposit growth of 5% to 8% in 2023 and 3% to 6% in 2024, reflecting strength in fixed annuity sales, offset by weak demand for variable annuities.

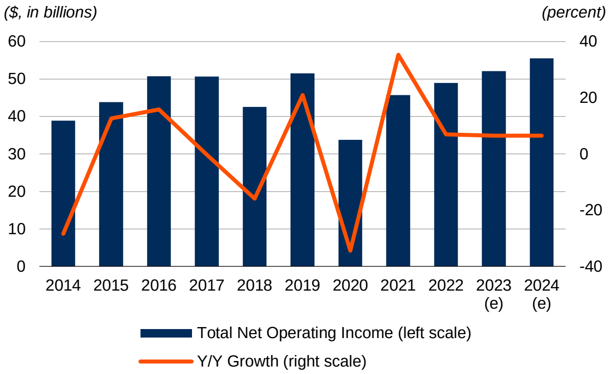
Net Investment Income



e-Estimate
Source: CFRA, S&P Global Market Intelligence.

- ◆ Net investment income declined fractionally in 2022, after rising by 8% in 2021. The decline reflected the market condition that was driven by high inflation and rising interest rates in 2022.
- ◆ CFRA expects net investment income growth of 6% to 8% in 2023 and 4% to 6% in 2024, as higher interest rates are partly offset by a slower rise in the value in invested assets.

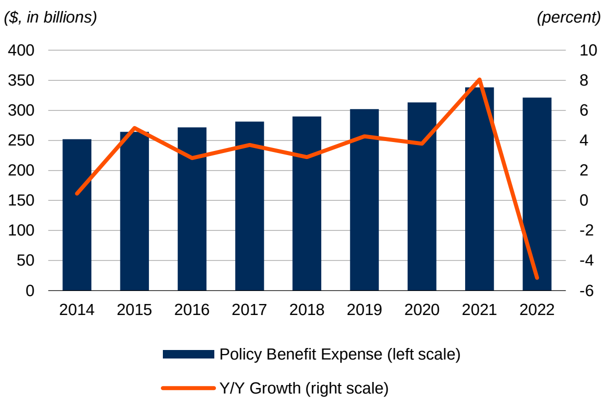
Net Operating Income



e-Estimate
Source: CFRA, S&P Global Market Intelligence.

- Operating income surged 35% in 2021, aided by an 18.2% drop in reserve costs and some well contained general expense levels, partly offset by an 8.1% rise in benefit costs and 12.1% higher surrender costs. Results in 2022 moderated, and operating profits rose 7.0%.
- Operating profitability in 2023 is predicated on surrender trends remaining stable and claim costs inflation moderating slightly. CFRA forecasts net operating income to grow by 5% to 8% in 2023 and 2024.

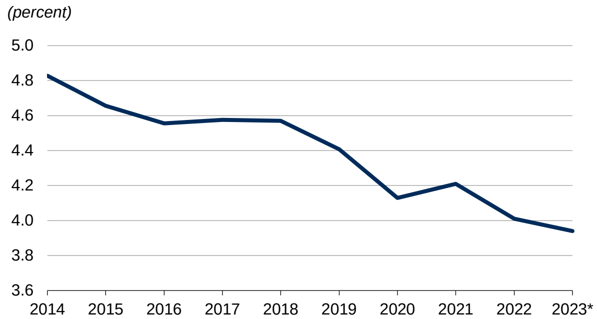
Policy Benefit Expense



*Data through Q1 2023.
Source: S&P Global Market Intelligence.

- Since benefit costs are the largest expense item for most life and annuity writers, the direction of these costs has a significant impact on insurer profitability.
- Expenses declined 5.1% in 2022 after increasing 8.0% in 2021. This was primarily driven by lower Covid-19 claims across life businesses, partially offset by higher incidence in accidental death and dismemberment businesses. However, expenses increased 4.5% year-over-year in the first quarter of 2023.
- As Covid-19 claims and related expenses will likely tail off in 2023, driven by vaccination campaigns, we expect policy benefit expenses to moderate in 2023.

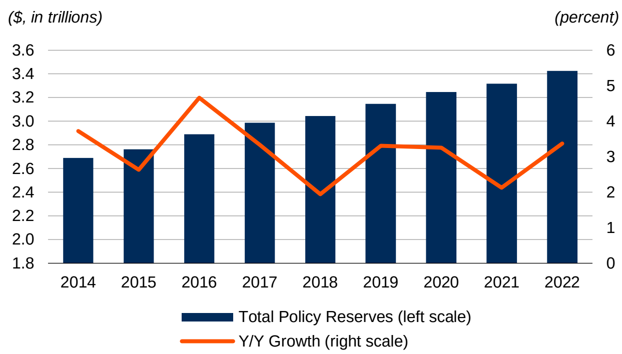
Yield on Invested Assets



*twelve months through Q1.
Source: S&P Global Market Intelligence.

- The net yield on invested assets for the life insurance industry has been declining steadily since 2010. In 2022, the net yield on invested assets was 4.01%, slightly lower than 4.2% earned in 2021 and significantly lower than 5.1% earned in 2011.
- We expect the Federal Reserve's (Fed) most aggressive interest rate hike campaign since 1994 will help drive up yields on invested assets, though asset/liability management remains very challenging for life & health insurers, given the long-term nature of many of their policyholder obligations.

Total Policy Reserves



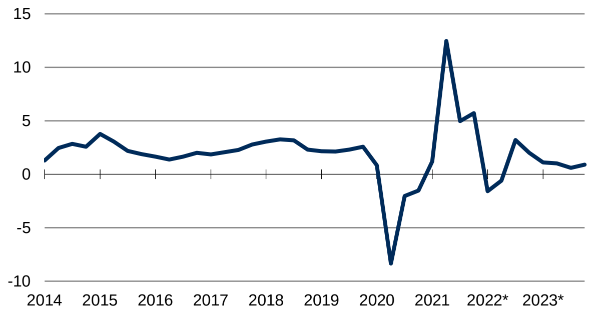
Source: S&P Global Market Intelligence.

- In 2022, total policy reserves increased 3.4% to $3.4 trillion, compared to a 2.1% increase to $3.3 trillion in 2021. We expect reserve levels and growth rates in 2023 and 2024 to vary considerably by company, depending on their mix of business.
- Policy reserves are funds that life insurers set aside to pay for future expected insurance claims.

KEY INDUSTRY DRIVERS

U.S. Real GDP Growth

(percent change, Y/Y)

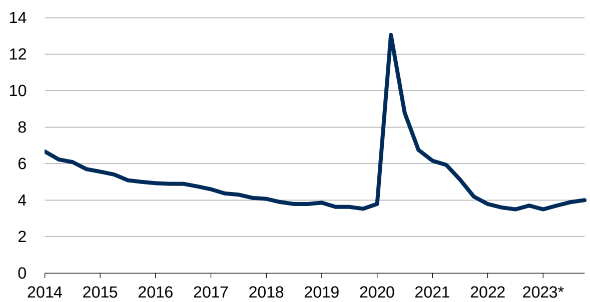


*Actual data through Q1 2023, projected data by Action Economics.
Source: Bureau of Economic Analysis, Action Economics.

- Action Economics projects GDP to grow by 1.4% in 2023 and 1.5% in 2024.
- The Fed has a slightly different stance, with its projected median GDP growth of 0.4% in 2023 and 1.2% in 2024.
- In a strong economy, investment returns will likely increase. At the same time, there will be higher demand from individuals and businesses for insurance due to rising incomes and wealth. Despite the likelihood of much slower growth – or even a recession – in 2023, investment returns could actually improve from 2022's depressed levels, particularly once the equity markets finish pricing in a recession.

U.S. Unemployment Rate

(percent)



*Actual data through Q1 2023, projected data by Action Economics.
Source: U.S. Bureau of Labor Statistics, Action Economics.

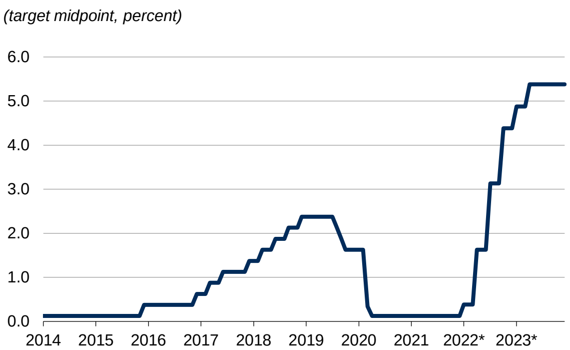
- Action Economics projects U.S. unemployment rate of 3.8% in 2023 and 4.2% in 2024.
- The Fed expects higher median unemployment rate of 4.5% for 2023 and 4.6% in 2024.
- We expect sales of traditional insurance products to moderate slightly in 2023, as a still relatively healthy labor market continues to drive demand for health insurance products. However, 2024 may prove more challenging if labor market conditions deteriorate significantly.

U.S. Inflation Rates (CPI)

*Actual data through April 2023, projected data by Action Economics.
Source: U.S. Bureau of Labor Statistics, Action Economics.

- The inflation rate in the U.S. had surged in early 2021 and peaked at 9.1% in June 2022, the highest since November 1990. Inflation has been decelerating for 10 consecutive months through April 2023, with the inflation rate at 4.9%. The slowdown in inflation was mostly due to the Fed's tightening of monetary policy.
- Action Economics projects the U.S. inflation rate to decline to 4.1% in 2023 (from 8.0% in 2022) and 2.5% in 2024.
- Despite the CPI being the more commonly used measurement of inflation, the Fed uses the Personal Consumption Expenditure (PCE) index as a reference for its inflation goals. The Fed projects PCE levels to decline to 3.3% in 2023 (from 5.7% in 2022) and 2.5% in 2024.

U.S. Interest Rates

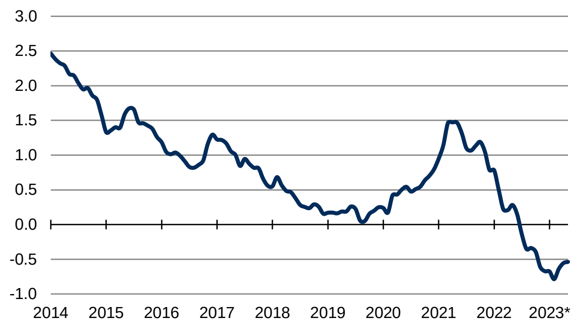


*Actual data through April 2023, projected data by Action Economics.
Source: U.S. Federal Reserve, Action Economics.

- In mid-June 2022, the Fed committed to raise interest rates to fight inflation and will continue to raise it through the first half of 2023 before lowering it in 2024. This is the highest yearly increase in over a decade. Action Economics projects the fed funds rate target midpoint to increase to 5.13% in 2023 before declining slightly to 4.92% in 2024.
- High interest rates increase an insurer's liabilities by increasing its obligations to policyholders, resulting in its products becoming more attractive, which leads to higher sales and, thus, higher funds available to invest.
- At the same time, high interest rates encourage some insurers to hold market-sensitive liabilities as a way to firm up balance sheets.

Yield Spread: 10-Year and 2-Year T-Notes

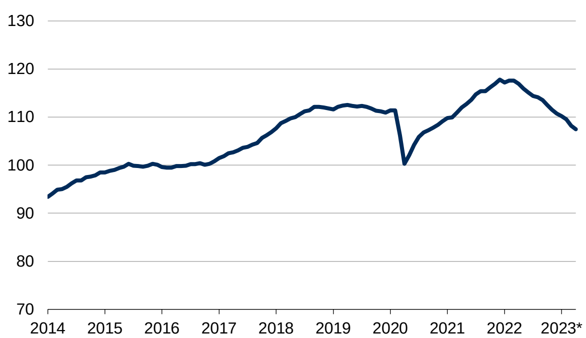
(monthly average, in percent)



*Data through May.
Source: U.S. Department of the Treasury.

- A flattening yield curve from 2014 to 2019 had dampened investor sentiment toward the financial sector. We also note that the yield curve was inverted in the latter half of 2022 as the expectation of aggressive monetary policy tightening by the Fed was anticipated to tame rising inflation. However, as inflation moderated, the yield curve started to move up slightly in the second quarter of 2023.
- Action Economics forecasts a yield spread of 0.52 percentage points (ppts) in 2023 and 0.20 ppts in 2024.
- Given that most investment assets for life & health insurers are longer-term bonds, an inverted yield curve will result in the value of those bond holdings increasing, which could lead to realized gains if insurers were to hold some of those holdings.

Leading Economic Index (LEI)



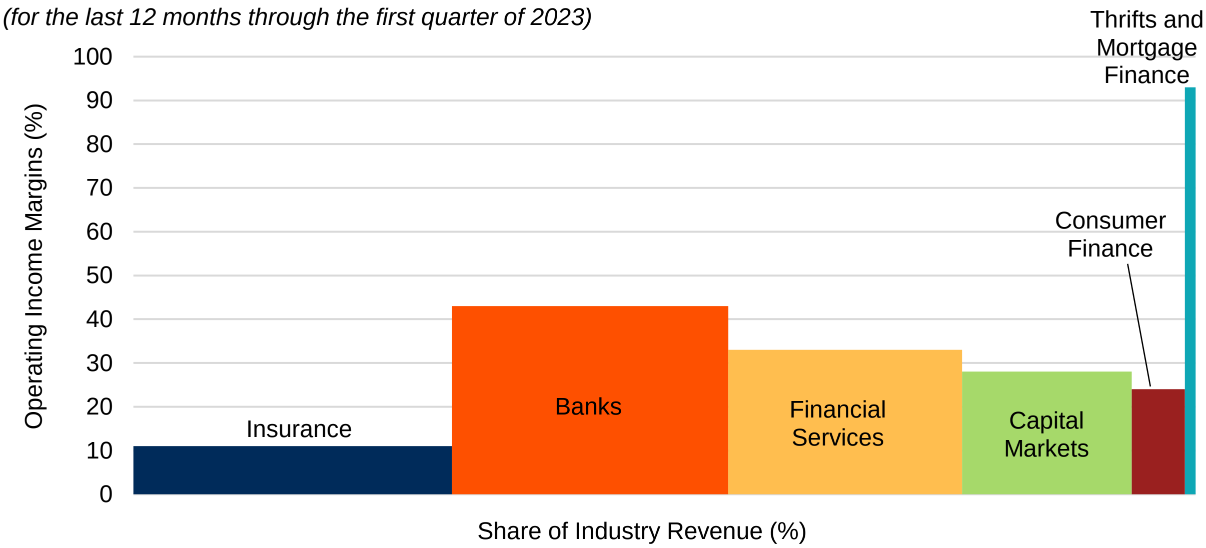
*Data through April.
Source: U.S. Conference Board.

- The LEI is an economic indicator intended to predict future economic activity from the value of 10 key economic variables. Historically, the LEI has turned downward before the occurrence of a recession and vice versa.
- The U.S. LEI ended April 2023 at 107.5, a 0.6% drop and the 13th consecutive month of decline. The deterioration is expected to continue well into the second half of 2023, albeit slower than the latter half of 2022 levels. Notably, the rising inflation and interest rate hikes were fully reflected in the recent monthly LEI.

INDUSTRY TRENDS

Profit Pools

PROFIT SHARE MAP OF FINANCIALS SECTOR*
(for the last 12 months through the first quarter of 2023)



*Companies within the S&P Composite 1500 Index as of June 1, 2023.
Source: CFRA, company reports.

The Insurance industry is the largest industry in terms of revenue within the Financials sector while having the lowest operating margin as of the last 12 months through the first quarter of 2023. Among its two sub-industries, we note that the Life & Health Insurance sub-industry has the larger share of industry revenues and an operating margin of ~5%, while Multi-line Insurance has an operating margin of ~6%. For reference, our profit pool analysis is based only on constituents of the S&P 1500 index.

PROFIT SHARE MAP OF LIFE & HEALTH INSURANCE INDUSTRY*
(for the last 12 months through the first quarter of 2023)

*Companies within the S&P Composite 1500 Index as of June 1, 2023.
Source: CFRA, company reports.

Operating Environment

Life Insurers Grapple With an Array of Challenges and Opportunities

A recovery in asset values, coupled with an increase in demand for life insurance in the aftermath of the Covid-19 pandemic, enabled life insurers to post a healthy rise in revenues in 2021. While claim trends related to the pandemic continued to weigh on some insurers' results, a rise in interest rates helped alleviate some of the margin pressure on spreads-based products from a persistently low interest rate environment. Life insurers' financial results in 2022 reflected both challenges and opportunities, as the benefits of a still-healthy labor market and economy continue to drive demand for savings and retirement products, just as millennials are coming of age and beginning to increase their consumption of life insurance and retirement savings products. The regulatory and legislative environment was also set to provide an additional tailwind, thanks to the resolution of some issues (including the DOL Fiduciary Rule), and the passage of the SECURE Act (which allows annuities to be offered in 401(k) retirement accounts). However, stubbornly high inflation is wreaking havoc on consumers' budgets, while the attendant sell-off in equity markets is hurting their investment accounts. While employment levels remained relatively high as of mid-2023, the risk of a recession is growing. Against this backdrop, demand for life insurance may slip, despite consumers' heightened awareness of the need for life insurance in the aftermath of the pandemic.

The Covid-19 pandemic not only highlighted the value of having life insurance, but it also changed many elements of daily life, including shopping and consumption habits, as a nation on lockdown was forced to shop online for nearly everything. While there is likely pent-up demand for in-person consumption, CFRA expects the trend of increased online and digital financial transactions to continue and to permeate many segments of the life insurance market. As expectations for digital interactions grow, so does the bar (and cost) for insurers to meet these expectations. A number of insurers have concluded that the expense needed to address their digital deficiencies is too great, prompting a review of business and distribution models and business mixes that CFRA believes will propel an uptick in M&A and restructuring activity in the life and multiline space for the next few years. Still, many life insurers are beholden to an agent-based distribution model that appears ripe for disruption, in our view.

The U.S. life insurance market is large, relatively mature, and dominated by a number of large-cap, well-known companies. The Life & Health Insurance sub-industry's financial assets totaled $8.1 trillion as of December 31, 2022, down 4.7% from $8.5 trillion at year-end 2021, according to S&P Global Market Intelligence.

LARGEST LIFE INSURERS, BY TOTAL ASSETS*

(ranked by 2021 figures, in $, billions, annual)

RANK NO.	COMPANY NAME	TOTAL ASSETS
1	Prudential Financial	707.2
2	MetLife	461.4
3	New York Life	391.1
4	Massachusetts Mutual	369.0
5	TIAA	360.2
6	AIG	345.8
7	Northwestern Mutual	334.8
8	Lincoln Financial	334.5
9	Jackson National	321.9
10	Manulife Financial	309.2

*Latest available data.

Source: Life Insurers Fact Book 2021, American Council of Life Insurers.

Life Insurers' 2022 Financial Results Reflected Strong Annuity Growth and Rise in Reserve Costs
Total revenues for the life insurance segment rose by 9.4% year-over-year in the 12 months ended December 31, 2022, based on data from S&P Global Market Intelligence. The recovery in top line results was driven primarily by a 20% rise in annuity premiums and deposits and a 3.5% rise in life insurance premiums, partly offset by a fractional decline in accident and health premiums and a 1% drop in net investment income. Results in 2022 were skewed a bit by the impact of a sharp rise in reinsurance allowances that totaled $38.2 billion in 2022, versus $8.5 billion in 2021. This reflects an increased use of reinsurance that produces reserve releases as a result of the reinsurance transaction. Revenues in 2022 before the impact of the reinsurance allowances advanced 6.3% year-over-year – still considerably above their long-term average rate of growth of under 2%.

Margins were impacted by a 9.6% rise in total expenses, as a 5.1% drop in benefit costs and 4.0% lower surrender costs were offset by a 43% surge in reserve costs. Because benefit and surrender costs are typically the two largest expense items for life insurers (accounting for approximately 70% of total expenses in 2022), a change in the direction of these input costs can have a material impact on profit margins. During 2022, however, both benefit and surrender costs declined after a challenging underwriting environment in 2021. However, the spike in reserve costs, which was fairly broad based across most lines of coverage, offset the positive impact from the drop in benefit and surrender costs. As a result, net after-tax operating profits rose by a mere 2.3%, to $49 billion in 2022 from $45.8 billion in 2021. Following net realized investment losses of $10.8 billion in 2022 and $8.3 billion in 2021, net income for the life insurance industry rose by 1.9% in 2022, to $38.2 billion, from $37.5 billion in 2021.

TOP 10 WRITERS OF ORDINARY LIFE INSURANCE

(Ranked by 2022 direct premiums written, in $, billions)

RANK NO.	COMPANY NAME	PREMIUMS	MARKET SHARE (%)
1	Northwestern Mutual	13.9	9.5
2	Mass Mutual	9.2	6.3
3	New York Life Insurance	8.6	5.9
4	Lincoln Financial	6.9	4.7
5	Prudential	6.8	4.6
6	State Farm	5.5	3.7
7	John Hancock	4.9	3.3
8	Pacific Life	4.7	3.2
9	Transamerica	4.6	3.2
10	Protective	4.1	2.8

Source: Insurance Information Institute.

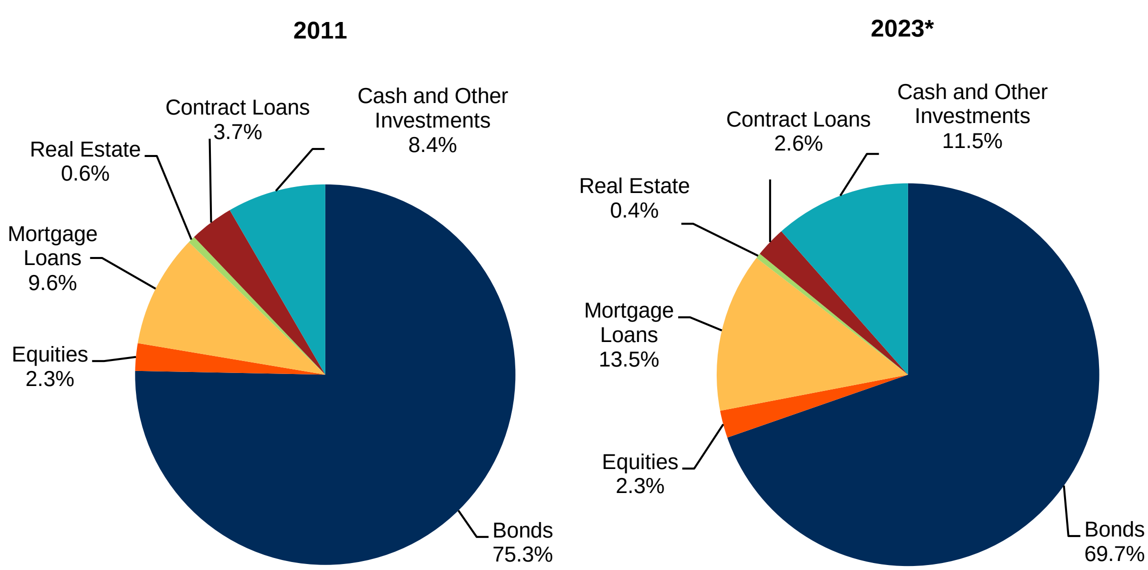
Life insurance in force in the U.S. at year-end 2022 topped $58.3 trillion, up from more than $56.3 trillion at year-end 2021, based on data from S&P Global Market Intelligence. The value of life insurance in force has grown at a compound annual growth rate (CAGR) of 2.9% over the last 10 years, from 2012 to 2022. Individual or "ordinary" life insurance accounted for $36.4 trillion, or 62% of the in-force block of business at year-end 2022. Group life accounted for $21.8 trillion, or about 37%, while industrial and credit life accounted for less than 1% of in-force business. (Life insurance in force is the aggregate face value of insurers' portfolios. Ongoing changes in the universe of companies and certain restatements mean that year-over-year numbers may not always be strictly comparable.)

Differing rates of in-force business growth could alter the mix of coverage in the longer term. While so-called "ordinary" individual life insurance remains the dominant form of life insurance coverage in the

U.S., growth here has been very modest. Ordinary life insurance in force has grown at a 10-year CAGR of just under 2%. Group insurance accounts for a smaller percentage of overall coverage, but growth here has been much more rapid, with a 10-year CAGR of 5%, as more employers offer life insurance within a suite of employee benefit offerings, enhancing ease of purchase. CFRA expects this trend to continue, which will shift the industry's mix of business and more closely link life insurance sales to employment growth.

Mortgage Loans and Alternative Assets to Remain Attractive Investment Vehicles for Many Insurers
The low interest rate environment that has persisted for most of the last decade has pressured the operating margins of most life insurers. To counter this pressure, many in the industry increased their exposure to mortgage loans and alternative investments as a means of enhancing investment income and portfolio yield. Between year-end 2012 and 2022, life insurers grew their mortgage portfolios at a CAGR of 7.3%, more than double the 3.6% CAGR of invested assets. As a result of that shift, mortgage loans accounted for 13.5% of invested assets at year-end 2022, up from 9.9% at year-end 2012. Another significant shift has occurred in the "other" invested assets category, which grew at a CAGR of just under 9% in the last 10 years, reflecting an increased allocation to alternative and private equity assets that CFRA expects to continue in 2023 and beyond. Another notable trend in life insurers' increased allocation to privately placed bonds, which equaled around 40% of insurers' bond portfolio at year-end 2022, up from 28% a decade ago.

LIFE INSURANCE INDUSTRY MIX OF INVESTED ASSETS



*LTM through Q1.
Source: S&P Global Market Intelligence.

While a persistently low interest rate environment has made commercial mortgages attractive on a total return basis, recent regulatory changes have also enhanced the attractiveness of mortgages from a risk-based capital perspective. The National Association of Insurance Commissions (NAIC), the Insurance industry's primary regulatory body, adjusted certain pretax calculations for fixed income investments when it calculates insurers' risk-based capital requirements, or RBC (which is the minimum amount of capital an insurer must hold to support its business, adjusting for an array of company-specific risk factors, like underwriting and credit risk). This initiative, which came into effect in 2019, represents an effort by the NAIC to provide greater granularity to insurers' fixed income investments when it calculates insurers' RBC. This shift, which essentially makes mortgages more attractive on an after-tax risk-adjusted basis, has likely fueled some of this recent growth, though additional regulatory changes are likely that may limit future demand for mortgages.

Many of the leading publicly traded life and multi-line insurers have made an above-average commitment to mortgages in their asset allocation strategies. This is largely supported by mixes of business with long-term obligations (like annuities and retirement savings products). A greater asset allocation to mortgages has other implications for insurers, including a reduced level of liquidity, though this is mitigated to a degree by insurers' asset-liability management programs. CFRA also believes this shift reduces insurers' operating flexibility, potentially limiting their ability to adjust their business mixes rapidly to changes in consumer or market preferences. For example, an insurer that has funded its annuity obligations with an outsized allocation to mortgage loans may not be able to easily and quickly pivot its product offerings (and capital) to a shorter tail mix of business (like term life insurance or supplemental health insurance policies, for example), given the reduced liquidity inherent in mortgage loans.

Competitive Environment

Life insurers continue to grapple with a very mixed competitive environment. An easing of some of the regulatory uncertainties previously plaguing the industry, coupled with a provision in the SECURE Act allowing annuities to be an investment option in 401(k) retirement plans, should help drive annuity sales, which are a core product line for many carriers. However, 2023 will likely end up being a transitional period for many annuity writers, as rising interest rates and volatile equity market conditions serve to dampen sales of variable annuities. Demand for life insurance has increased in the aftermath of Covid-19, though many middle-income consumers may hold off purchasing life insurance as they grapple with higher energy and food prices. Against this backdrop, life insurers may struggle with mediocre top line growth in 2023 and with margin pressures brought on by claim cost inflation. Finally, Covid-19 imposed fundamental changes to numerous aspects of daily life and consumer preferences and habits, including an accelerated and broad-based shift to online and automated transactions. While consumers were “forced” online during the pandemic, they will likely choose to “stay” online and conduct more of their financial transactions remotely. This dynamic has raised the bar for life insurers – many of whom were already “digitally deficient” before Covid-19 – to up their digital game. Some have, while others (including many multi-line insurers) have decided to jettison lines of business where the investment in technology to address these issues is too great.

Porter’s Five Forces

Porter’s five forces, which provide a framework for industry analysis, were formulated by Michael E. Porter of Harvard Business School in 1979. Below we describe the five parameters on which an industry can be analyzed, and how these apply to the Life & Health Insurance sub-industry.

◆ **Threat of New Competition (Low).** Like all insurance companies, life & health insurers are heavily regulated and capital intensive, which could be a strong deterrent for many potential new entrants. Also, given the retail nature of these insurance products, economies of scale can be difficult to achieve, giving large insurers a huge cost advantage over the smaller players. Hence, the barrier to entry for the industry is high.

◆ **Threat of Substitute (Very Low).** There is no substitute for the Insurance industry. The other alternative is to self-insure against any probability of loss.

◆ **Bargaining Power of Customers (Medium).** Most buyers of life insurance are retail customers and they usually do not have much control over insurance prices. However, the increased awareness of insurance and technology advancements have equipped customers with the knowledge on insurance products which strengthens their negotiation power. Overall, we think the customers of the life insurance industry have medium bargaining power.

◆ **Bargaining Power of Suppliers (Medium-High).** The two main suppliers of the Life & Health Insurance sub-industry are suppliers of capital (*i.e.*, customers) and suppliers of talent (*i.e.*, employees/insurance professionals). The limited supply of labor and talent are a common concern within the Insurance industry, which will increase the negotiation power for these suppliers.

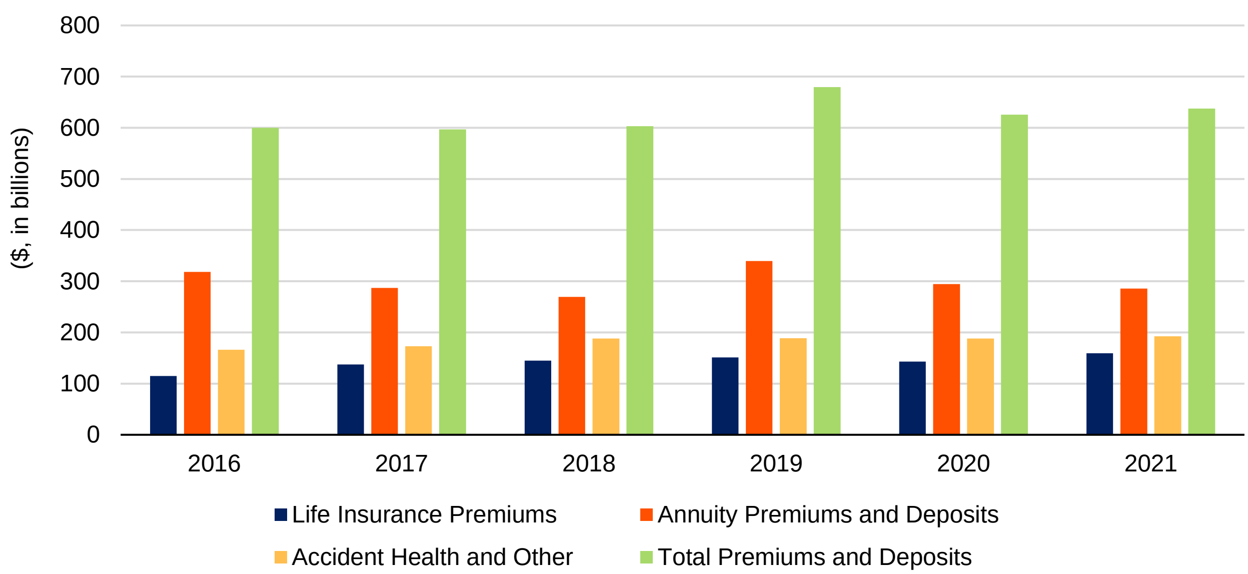
◆ **Intensity of Competitive Rivalry (High).** The industry is highly competitive as many large insurers generally offer similar products and are aggressively competing against one another to gain market share. Over the years, the characteristics of insurance products is shaping into more commodity-like due to low product differentiation. As a result, insurers with cost advantages and better operating efficiency will be more competitive.

Life Insurance Sales Set to Trend Modestly Higher in 2023

After existing as a strategic after-thought for many years, traditional life insurance has gained prominence as a source of growth for many life insurers. Many insurers emerged from the pandemic benefiting from a recovery in asset values in 2021 and an easing of some of the margin pressures brought on by historically and persistently low interest rates. As a result, life insurance premiums rose by 11.5% in 2021, besting our forecast of a 5.8% rise. Demand for life insurance was fueled by several factors: a pandemic-induced realization of the need for coverage; demographic shifts as millennials come of age; and an increase in group benefits amid a tight labor market. While these factors are still relevant, premium growth in 2022 moderated, and life premiums rose 3.5%, slightly above our forecast of a 2% to 3% rise in premiums. CFRA expects premium growth of 2% to 4% in 2023 and 2024, as demographically-driven demand for coverage is impacted by a tougher economic climate and the pressure on consumers' wallets from higher food, shelter, and energy costs.

The modest rise in top line growth we are forecasting in 2023 and 2024 belies a number of strategic shifts currently underway in the life insurance and annuity market that could be profound, longer term. After years of focusing on fee-based products like annuities, the life insurance industry obtains less than 25% of its premium base from life insurance. As annuity sales have languished and a persistently low interest rate environment has hurt margins in these spreads-based businesses, many insurers are once again shifting their focus back to traditional life insurance. CFRA also views group life providers as a way for investors to leverage a still-decent labor market.

LIFE INSURANCE PREMIUMS 2016-2021



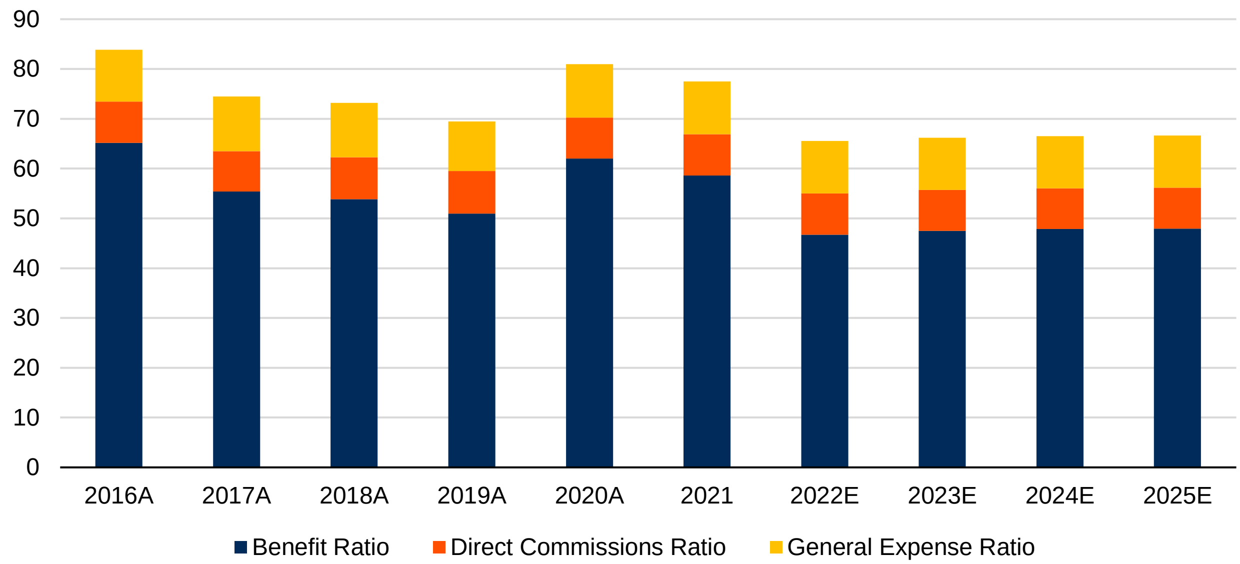
Source: S&P Global Markets Intelligence.

Post-Pandemic Underwriting Trends Are Improving

CFRA forecasts that underwriting results will continue to improve from the pandemic-induced peak in 2021, when an elevated number of pandemic-related death claims pushed the industry's benefit ratio (equal to death and other policy benefits as a percentage of premiums) up to 53.1%, from an already elevated 50.2% in 2020, and versus a 10-year average of around 46%. Results in 2022 improved amid an easing of the aforementioned claim trends, and the benefit ratio ended 2022 at 45.9%, in line with long-term averages. Though some insurers continue to grapple with so-called "excess mortality" trends, overall industry claim trends are improving and CFRA expects the benefit ratio to remain stable in 2023 and 2024.

UNDERWRITING RATIOS 2016-2025

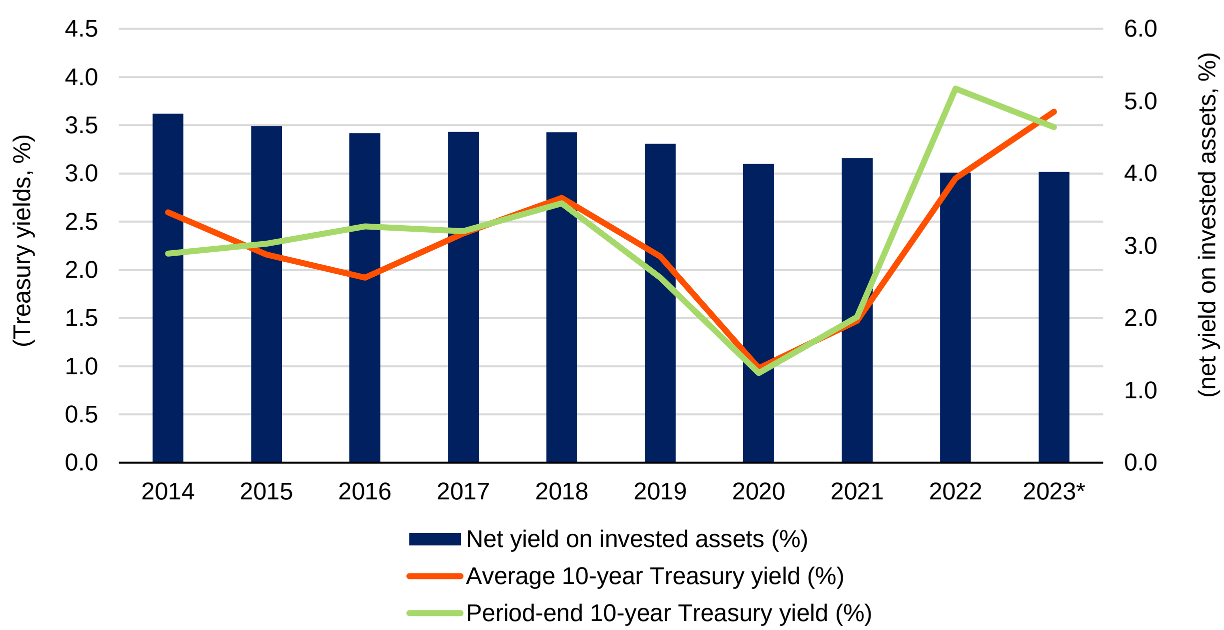
(ratio)



Note: General expense ratio is for the entire life insurance industry.
Source: S&P Global Markets Intelligence, S&P Capital IQ Consensus Estimates.

An easing of interest rate pressures will enhance the stable underwriting outlook. U.S. Treasury yields bottomed in 2020 and are poised to continue their upward trajectory in 2023. Because of the lag effect of changes in interest rates and reinvestment rates, we expect the average yield on invested assets to climb to 4.2% to 4.3% in 2023 and to 4.25% to 4.4% in 2024, versus 4.01% in 2022 and 4.21% in 2021.

LIFE INSURERS' YIELD ON INVESTED ASSETS VERSUS TREASURY YIELDS



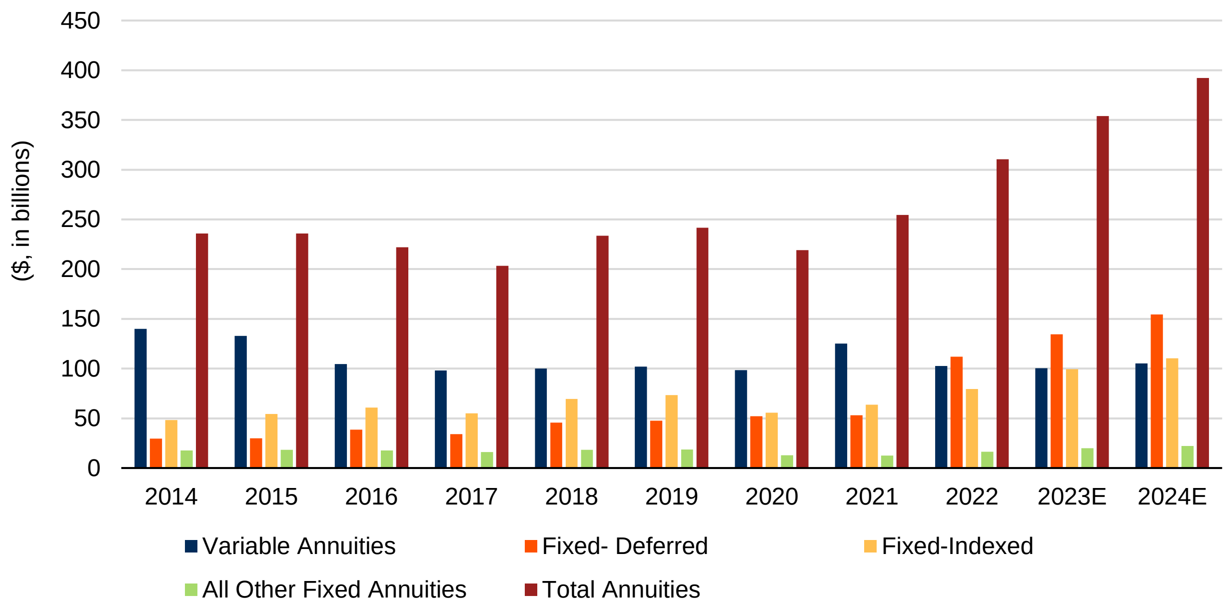
*Data through Q1.
Source: S&P Global Markets Intelligence.

Strong Annuities Sales Gains Poised to Continue in 2023

Total individual annuity sales rose 22% in 2022, to $310.6 billion, driven by a 61% surge in fixed annuity sales, partly offset by an 18% drop in sales of variable annuities. CFRA attributes this strength to a rise in interest rates and heightened market volatility, which has propelled investors to seek out stability in the form of fixed and indexed annuities. We expect this trend to continue and forecast a 14% rise in total annuity sales in 2023, driven by an expected 25% rise in fixed indexed annuities, 20% growth in fixed deferred annuity sales, and flat variable annuity sales. Because of changes in the annuity marketplace in recent years, the roster of top annuity writers includes some private equity firms.

Recent annuity sales growth reflects an upsurge in fixed annuity sales. Higher interest rates and heightened equity and fixed income market volatility will likely spark additional growth in 2023 and 2024. As the figure below highlights, total annuity sales in 2022 were very strong – up 22% year-over-year, to $310.6 billion in 2022, from $254.9 billion in 2021.

ANNUITY SALES 2014-2024



Source: CFRA, LIMRA Secure Retirement.

The strong growth in 2022 reflected a bifurcation in sales trends, though, as an 18% drop in variable annuity sales (amid rising interest rates and volatile equity market conditions) was offset by a 61% surge in fixed annuity sales, as retirement savers sought a safe haven in the form of fixed and indexed annuities.

Fixed indexed annuities will likely drive growth in 2023 and 2024. CFRA forecasts total annuity sales will rise by 14% in 2023, to around $354.1 billion (from $310.6 billion in 2022), and by another 10.7% in 2024, to approximately $392.1 billion. Our forecast assumes that the greatest rate of growth in the annuity space comes from fixed indexed annuities (described below), whose hybrid structure offers both a steady income stream and some market-based performance. We forecast fixed indexed annuity sales will rise by 25% in 2023, to around $99.3 billion, and advance another 11% in 2024, to around $110.2 billion.

Fixed deferred annuity growth is also likely to remain fairly healthy in the coming periods. We expect fixed deferred annuity sales growth will be aided by the higher interest rate environment, and we estimate fixed deferred annuity sales will rise by nearly 20% in 2023, to around $134.5 billion (from $112.1 billion in 2022) and by another 15% in 2024, to $154.5 billion.

Variable annuity sales will likely remain flat, though. Our annuity sales forecast assumes that market volatility and a rising interest rate environment (at least through 2023) dampen investor demand for variable annuities, and we expect sales of around $100.5 billion in 2023 (down from $102.6 billion in 2022). Our forecast of modest growth in 2024 (to $105.2 billion) assumes that 2024 is a transitional year in the annuity space amid a likely easing of interest rate pressures.

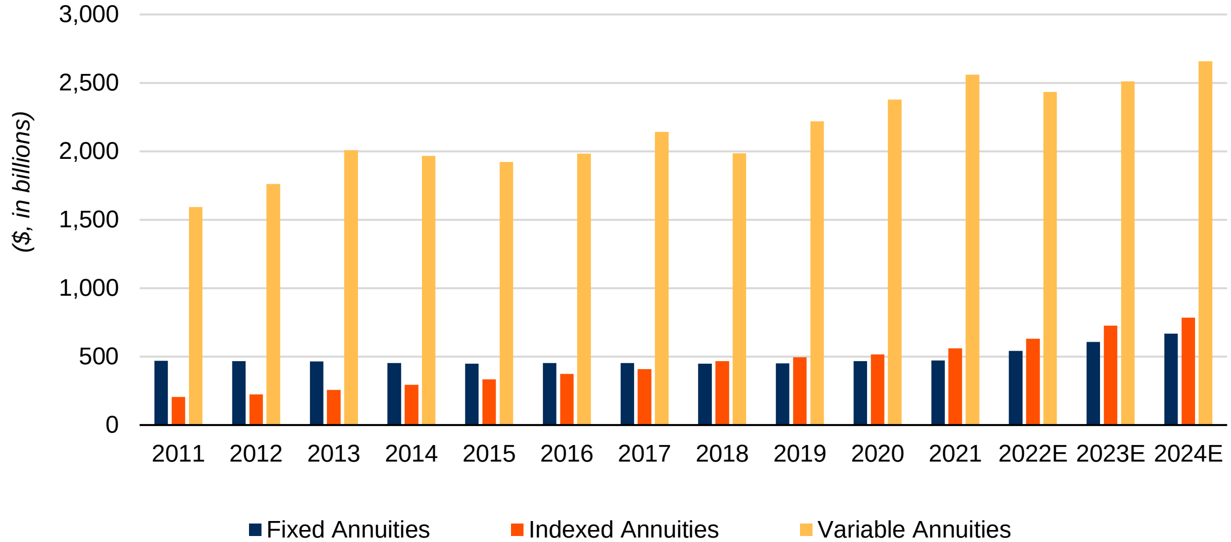
TYPES OF ANNUITY CONTRACTS

Fixed Deferred Annuities	Variable Annuities	Fixed Deferred Annuities
• Provide a predictable (fixed) source of income over a set time period in the future • Guaranteed rate of return • Considered an insurance product and under insurance regulatory jurisdiction • Accounted for 36% of U.S. annuity sales in 2022	• Include traditional variable and index-linked annuities • Return based on the performace of the underlying securities in the annuity (usually selected by the annuity holder) • Some contain a minimum return or a guaranteed minimum income benefit (GMIB) option • Considered an investment product • Accounted for 33% of U.S. annuity sales in 2022	• Combine features of fixed annuities with some additional market-based returns • Guaranteed a certain minimum return plus a return pegged to a market index (like the S&P 500) • A hybrid insurance-investment product requiring agents to have insurance and securities licenses • Accounted for 26% of U.S. annuity sales in 2022

Source: CFRA, LIMRA Secure Retirement.

Despite an expected downturn in sales in 2023, variable annuities remain a significant part of the industry’s asset base. Based on data we obtained from the Insurance Information Institute (III) and the Life Insurance Research and Marketing Association (LIMRA), we estimate that total annuity assets rose at a CAGR of 3.7% in the 10 years through year-end 2022. This compares to overall life insurance industry assets, which grew at a 10-year CAGR of 3.0%. Variable annuities, which accounted for about 67% of year-end 2022 total annuity assets, grew at a CAGR of 2.9% over the last 10 years. Fixed and indexed annuities (33% of total annuity assets) grew at a CAGR of 5.4% over the last 10 years.

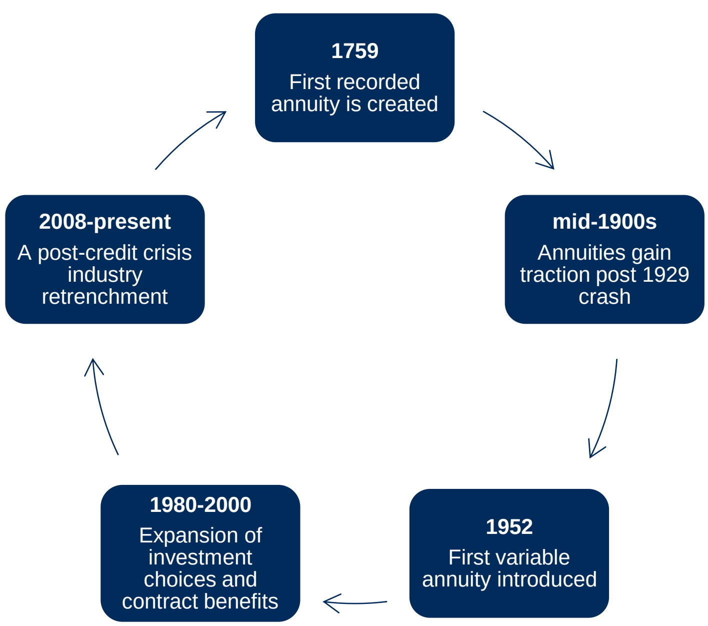
DEFERRED ANNUITY ASSETS 2011-2024



Source: CFRA, LIMRA Secure Retirement.

History tells us that challenging equity markets are usually good for annuity demand. As the figure below highlights, demand for annuities usually increases in the aftermath of difficult equity market conditions, as investors seek stable sources of income, usually for retirement. After first being introduced in 1952, variable annuities gained traction in the decades since, as annuity writers enhanced investment choices and death benefits and as baby boomers began saving for retirement. During the 1980s and 1990s, insurers rolled up a series of product enhancements, including an array of guaranteed minimum benefits. Eventually, these guarantees became too burdensome for many annuity writers and, in the wake of the credit crisis in 2008, many retreated significantly from this space.

ANNUITY HISTORICAL TIMELINE



Source: CFRA, American Portfolio Financial Services, National Bureau of Economic Research.

The SECURE Act and SECURE 2.0 Act Will Also Enhance Demand for Annuities
Congress took aim at the retirement savings crisis in 2019 when it passed the Setting Every Community Up for Retirement Enhancement (or SECURE) Act in late 2019. Effective January 1, 2020, the law intended to increase workers' access to retirement accounts by making them more readily available, and enabling workers to save longer for retirement. The SECURE Act also allowed annuities to be offered as investment options within 401(k) plans. Previously, employers held the fiduciary responsibility for ensuring these products were appropriate for employees' portfolios. Now, the burden falls to annuity providers to offer the appropriate investment choices. The SECURE 2.0 Act, signed into law in late 2022 and effective January 1, 2023, tweaked some of the SECURE Act provisions related to (among other things) catch up contributions, automatic enrollments in retirement plans, and the use of student loan payments as a qualifying payment for an employer match contribution. CFRA views the SECURE Act as a significant benefit for insurers who offer annuities.

Prolonged Low Interest Rate Environment Ushered in Strategic Shifts in the Annuity Marketplace
Since the credit crisis, the annuity industry has endured a series of cross currents, as heightened competitive pressures the late 1990s and early 2000s led many annuity writers to enhance annuity contracts with robust guarantees. Then, a prolonged low interest rate environment and heavy capital levels associated with this business led a number of insurers to shed their annuity businesses and pursue a more streamlined business model. Meanwhile, the (somewhat) distressed annuity assets that were coming to market were attractive to many private equity firms, who were searching for ways to increase their levels of perpetual capital (which is capital not subject to the drawdowns, capital calls, and exit strategies typically associated with private equity investments). Highlighted below are a number of the more significant annuity-related transactions involving publicly traded insurers and private equity firms.

STRATEGICALLY TRANSFORMATIVE ANNUITY TRANSACTIONS

American International Group (AIG)
Sold 9.9% of Life & Retirement unit (renamed CoreBridge Financial) to Blackstone in 2021
September 2022 IPO'd 14% of Corebridge and retained 76%

Allstate Corp. (ALL)
Sold Allstate Life to Blackstone for $2.8B in 2021
Sold Allstate NY Life to Wilton Re for $400M
Exited life and annuity lines to focus on property-casualty insurance

American Financial Group (AFG)
Sold its annuity unit for $3.5B in 2021 and pivoted to a pure property-casualty model
Posted a net gain of $620M-$690M, one of only a few firms to reap a gain

Apollo Global Management, Inc. (APO)
Acquired 65% of Athene Holding it did not already own for $11B in 2022
Writes primarily fixed and index-linked annuities

KKR & Co. Inc. (KKR)
Acquired a majority interest in Global Atlantic Financial Group in 2021
Global Atlantic is a leading life and annuity writer

Source: CFRA, Company filings.

Private Equity Now a Significant Participant in the Annuity Marketplace

While the examples of annuity transactions highlighted in the figure above represent a sampling of high-level transactions, there have been a multitude of other, smaller transactions that have resulted in private equity investors owning more than 12% of life and annuity assets, according to data published by consulting firm McKinsey & Company. While freeing up capital that can be deployed into higher-return areas has been a benefit for insurers, and gaining access to attractively priced permanent capital assets has been a boon for private equity firms, what remains uncertain are the implications these shifts will have on the competitive and product development environment for annuities.

As the table below highlights, the top 10 providers control over 53% of the market for individual annuities (based on our analysis of data obtained from S&P Global). While this represents a less concentrated market share environment versus a decade or so ago, there are still economies of scale and competitive advantages accruing to the current roster of top annuity providers. Also, since a lack of acceptable returns prompted many insurers to sell their annuity assets, new owners are likely to take steps to increase profitability, which could include curtailing certain contract benefits and guarantees. This dynamic may further bifurcate annuity providers. While many of the newest entrants into the annuity market are private equity firms (with newly acquired, potentially subpar assets), many of the longstanding top annuity writers, including MassMutual, Nationwide, New York Life and Pacific Life, are mutual insurers, owned by their policyholders. Since these firms are owned by the policyholders, they are more likely to be focused on financial strength for the sake of policyholders instead of boosting profitability for investors.

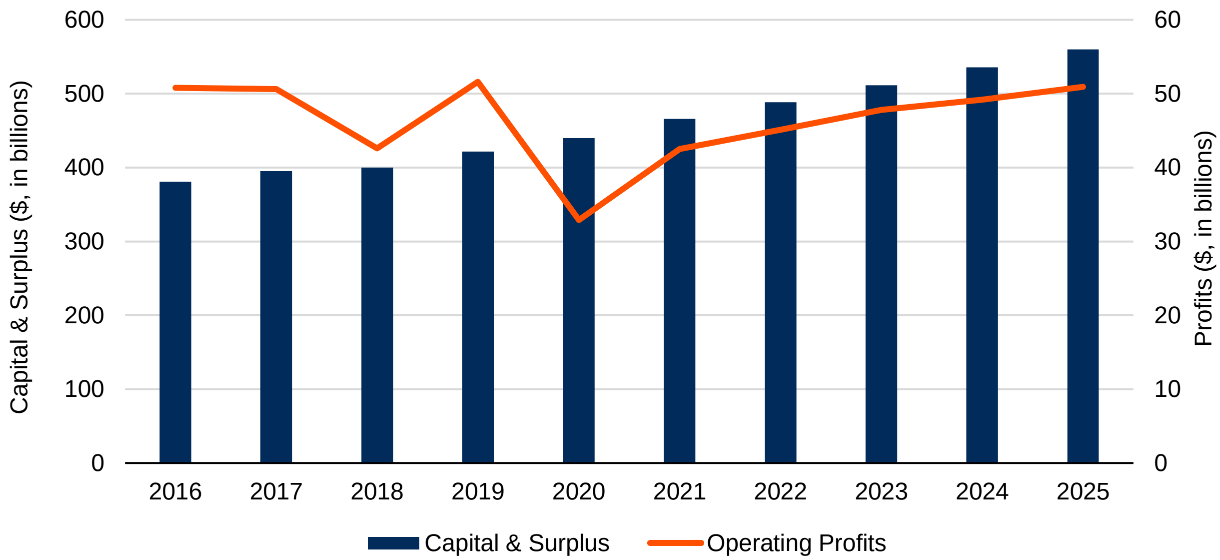
Finally, a strong financial strength rating is a key competitive advantage in selling long-term products like annuities. Consumers may find that the financial strength of some new owners is not as strong as that of the entity that issued their annuity contract. Finally, because demand for annuities – particularly fixed annuities – remains robust, CFRA does not expect the new crop of annuity owners to unveil a significant amount of product enhancements. But when demand softens, another inflection point will likely occur, as these new annuity operators need to contend with falling demand and sales.

TOP WRITERS OF INDIVIDUAL ANNUITIES

Firm (Parent)	Market Share	Annuity Premiums & Considerations ($ Million)
Jackson National	8.12%	19,138,367
Corebridge Financial (AIG)	6.70%	15,787,736
Allianz	5.90%	13,911,296
MassMutual	5.38%	12,685,534
Lincoln Financial	5.18%	12,220,814
Equitable Holdings	5.00%	11,788,857
Nationwide	4.84%	11,415,442
New York Life	4.51%	10,637,144
Athene U.S. (Apollo Global)	3.81%	8,988,404
Brighthouse Financial	3.62%	8,546,059
Pacific Life	3.23%	7,625,217
Global Atlantic U.S. (KKR & Co.)	3.13%	7,374,733

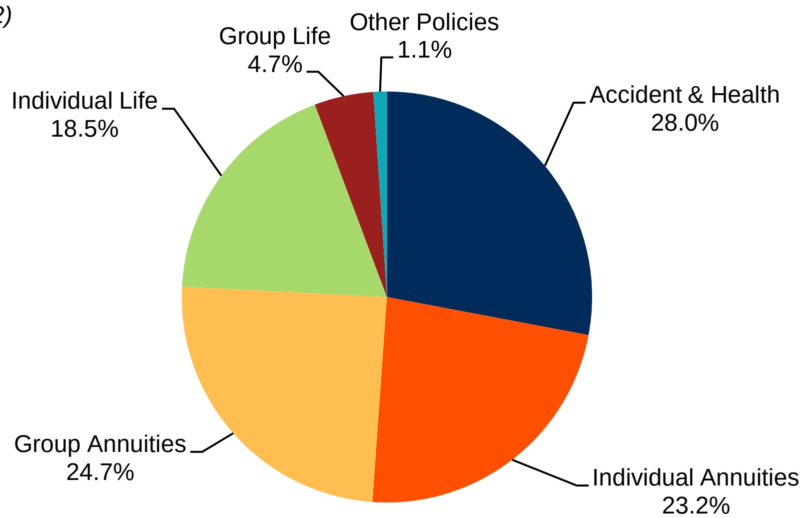
Source: S&P Global. Data is for year-end 2021 (latest available).

LIFE INDUSTRY PROFITABILITY AND CAPITAL LEVELS



Source: CFRA, S&P Global Market Intelligence.

LIFE INSURANCE NET WRITTEN PREMIUMS
(for the full year 2022)



Source: S&P Global Market Intelligence.

Recent Accounting and Regulatory Changes Will Both Aid and Bifurcate Life Insurers

The demise of the DOL Fiduciary Rule, the passage of the SECURE Act, and a pending change in the accounting for long-term insurance contracts (including those related to annuities) offer life insurers both a catalyst and a bifurcating force. Uncertainty surrounding regulatory practices regarding the sale of annuities into retirement accounts that persisted while the DOL fiduciary rule was winding its way through the courts depressed sales of those products. The resolution of this issue, with the Securities and Exchange Commission having promulgated a more industry-friendly resolution to this regulatory issue, will likely remove a huge uncertainty. This should benefit all annuity sales, but particularly those sold into retirement accounts. The passage of the SECURE Act, signed into law in December 2019, allows for annuities to be investment options within retirement accounts, something that should enhance demand for annuities. (For additional information on the SECURE Act, refer to the Regulatory and Legislative section of this survey, below.)

In August 2018, the Financial Accounting Standards Board (FASB) unveiled ASU 2018-12 “Targeted Improvements to the Accounting for Long-Duration Contracts”. This accounting standards update impacts most life insurance, disability, long-term care insurance, and annuity products. The first major component of the proposed accounting change calls for a more frequent review of the discount rate assumptions contained in the accounting of these contract liabilities. The second change involves standardizing the discount rate to one that is market observable. Currently, FASB is proposing “an upper medium grade fixed income instrument yield”. The third change calls for greater uniformity of the market risk related to contract benefits. The fourth change aims to simplify the amortization of deferred acquisition costs (DAC) to a straight-line method. Implementation of this change has been pushed out to 2023 for most public companies. (For additional information on the implications of ASU 2018-12, please see the Regulatory and Legislative section of this survey.)

M&A Environment

While the level of merger and acquisition (M&A) activity for the overall Insurance industry has returned to pre-pandemic levels across most sub-groups (*i.e.*, life, health, property-casualty, insurance broker), the underlying drivers of this activity remain varied.

Based on the latest available data from S&P Global Market Intelligence, four life insurance deals worth $100 million were announced, year-to-date through May 8, 2023. This compares to 16 life insurance deals valued at just over $4 billion that were announced in 2022, down from 23 life insurance deals valued at just over $16 billion announced in 2021. For the broader Insurance industry (consisting of life, health, and property-casualty underwriters), deal making volume declined in 2022, to 64 deals valued at just under $17 billion, versus 80 deals valued at just over $50 billion that were announced in 2021.

These statistics reflect a trend that emerged several years ago in the broader Insurance industry. Specifically, a significant strategic shift occurred among a subset of insurance underwriters. Driven primarily by a (still) persistently low interest rate environment, a looming accounting change, and a reassessment of risk management tactics, many multi-line insurers shed their non-core life and annuity lines of business and transitioned into “pure play” property-casualty underwriters.

This paradigm shift is also being driven by the waning value proposition embedded in the multi-line business model. Historically, multi-line insurers were believed to have possessed a competitive advantage in gaining market share among consumers, who were able to have all their insurance needs met through one firm. Pre-internet, this was true. But in the last decade or so, amid the advent of online insurance comparison shopping, that competitive moat has eroded. As a result, many insurers have decided that non-core life insurance operations do not merit the kind of investment in data and tech capabilities to meet current industry competitive challenges and benchmarks. Highlighted below are several significant transactions recently announced and/or completed:

- Allstate Corporation (ALL) completed the sale of its Allstate Life unit to private equity firm Blackstone Group for $2.8 billion on November 1, 2021 and its Allstate New York Life Insurance subsidiary to Wilton Re on October 4, 2021 for about $400 million as part of a plan to narrow its focus around faster-growing, less capital-intensive property-casualty and fee-based lines of business.

- American Financial Group (AFG) announced a pivot away from a multi-line model following the successful sale of its annuity operations for $3.5 billion on May 28, 2021, in a transaction that CFRA estimates netted AFG a gain of between $620 million and $690 million.

- American International Group (AIG) completed the sale of 9.9% of its Life & Retirement unit to Blackstone (BX) on November 2, 2021, as part of a plan, announced in late 2020, to create two separate entities – one focused on property-casualty insurance and the other on life insurance and retirement savings products. To that end, AIG, on September 19, 2022, successfully completed the initial public offering (IPO) of its Life & Retirement unit, renamed Corebridge Financial, Inc. (CRBG). Following the sale, which marked one of the largest IPOs in a dismal year overall for IPO activity, AIG now owns about 76% of Corebridge.

At this juncture, CFRA expects most current M&A activity to be driven by a need for scale. However, in the aftermath of several high-profile regional bank failures, investors and regulators are taking a closer look at the downside associated with concentration risk. That concern could extend to the Insurance industry, which could trigger a re-evaluation of the desire for a monoline-like business model.

Regulatory and Legislative Update

Insurance Regulators Likely to Focus on Solvency, Climate Risk, AI and Data Protection in 2023
The National Association of Insurance Commissioners (NAIC), the Insurance industry's chief regulatory authority, recently held its annual meeting. Based on the communication from regulators, CFRA expects solvency, climate risk disclosure, heightened oversight of AI, and data protection to be the focus of regulatory efforts in the coming year.

Specifically, CFRA expects insurance regulators to heighten their focus on counter-party risk and the interconnectivity of financial institutions amid the ongoing banking crisis. The NAIC Securities Valuation Office is charged with assessing the day-to-day quality of securities owned by state-regulated insurers. As such, we expect the current focus of the Valuation Office to be on structured products (including collateralized loan obligations), alternative assets, private equity investments, and holdings of private credit, since many insurers have increased their exposure to these assets. Private equity firms, like Apollo Global Management and KKR & Co., have also recently expanded into the insurance marketplace, largely through their acquisitions of annuity writers. CFRA expects insurance regulators to examine the regulatory implications of these transactions.

Climate disclosure has become a politically charged issue, but one that insurance regulators have not backed away from, evidenced by the NAIC's endorsement in March 2022 of the internationally accepted Task Force on Climate-related Financial Disclosures (TCFD). The TCFD is the international benchmark for climate risk disclosure and reporting. As of March 2023, jurisdictions in the U.S. covering about 80% of industry premiums require disclosure under the TCFD framework. CFRA expects the NAIC's focus in 2023 to be on implementation guidance. The Federal Insurance Office (FIO) is also involved in climate risk reporting and, in the aftermath of Hurricane Ian, is focusing on state-based gaps in climate risk oversight.

Cyber security and data security are also two top-of-mind issues for insurance regulators, despite (or perhaps because of) a lack of comprehensive, cohesive data protection laws in the U.S. CFRA expects the NAIC to refine its Insurance Data Security Model Law of 2017 with heightened controls, more robust testing requirements, and more detailed disclosure requirements. In the absence of a robust federal mandate, several states – like New York – have taken the lead in the effort to address data and cyber security issues. The NY State Department of Financial Services (the state's regulatory body), which has emerged as the de-facto lead state cyber regulator, is expanding its cyber protocols in 2023 to include more documentation, greater obligations for large financial firms, and greater C-suite involvement.

An Accounting Change Will Impact Insurers' Long-Term Obligations
The Financial Accounting Standards Board issued ASU 2018-12, otherwise known as Targeted Improvements to the Accounting for Long Duration Contracts, in August 2018, with an implementation date of January 1, 2023, for public companies and two years after that for non-publicly owned insurers. The pronouncement is designed to improve the recognition, measurement, presentation, and disclosure requirements for long-term contracts, like those associated with life and disability insurance, long-term care coverage, and annuities. ASU 2018-12 attempts to improve the level of disclosure and quantify the risk inherent in long-term contracts. Highlighted below are three main provisions of the pronouncement.

OVERVIEW OF ASU 2018-12

Liability for Future Benefits	Deferred Acquisition Costs (DAC)	Measurement of Market Risk
• Would shift from being locked at contract inception to being updated for changes in cash flow and discount rate assumptions at every reporting period. • Discount rate would be that of an upper medium grade fixed income instrument that reflects characteristics of the liability and not the invested assets supporting it.	• Methodology would shift from current model that employs multiple methodologies requiring numerous inputs and assumptions to one that is amortized on a constant level basis over the contract term. • DAC would be subject to write-offs on unexpected contract terminations but would not be subject to an impairment test under those circumstances.	• Two models – fair value and an insurance accural model – are currently used to measure the capital market risk inherent in certain deposit contracts. • Under ASU 2018-12, market risk would be measured by the fair value method and changes would be reflected in insurers' other comprehensive income.

Source: Financial Accounting Standards Board.

The implementation of ASU 2018-12 is likely to be a bifurcating force within the life insurance industry. Investors are likely to welcome the increased transparency intended as a result of this pronouncement, but insurers' financial results are likely to become more volatile as a result of the assumption changes that will now occur quarterly. Also, because many of the insurance and annuity contracts currently outstanding were written during a higher interest rate environment, changes in the discount rate assumptions mandated by this pronouncement in the current (low) interest rate environment will likely lead to increases in reserves. Indeed, many of the leading publicly traded insurers who have begun the implementation of ASU 2018-12 have warned investors that it will likely have a material impact on the financial results. The burden this pronouncement imparts, given the increased level of reporting and assessment required, coupled with the heightened volatility on results, was a factor mentioned by some firms, including Allstate, in their decision to shed their non-core life and annuity operations.

SECURE 2.0 Act Is Signed Into Law

Nearly three years after the passage of the SECURE Act, the SECURE 2.0 Act of 2022 was signed into law on December 29, 2022. Aiming to build on the progress of the SECURE Act, SECURE 2.0 makes a number of adjustments to retirement account required minimum distributions and enhances the amount of catch up contributions that older savers are permitted to make into their accounts. In an effort to encourage more Americans to save for retirement, SECURE 2.0 allows retirement plan sponsors to treat student loan payments as elective deferrals for purposes of retirement account matching contributions. The new law also mandates that new 401(k) and 403(b) plans must include an automatic enrollment mechanism, and the new law makes it easier for part-time workers to be included in retirement plans.

Congress took aim at the retirement crisis in the U.S. in late 2019 when it passed legislation aimed at increasing American workers' access to 401(k) plans, at raising the age limit for retirement account contributions, and at allowing student loan payments to qualify as 401(k) contributions for matching purposes. The Setting Every Community Up for Retirement Enhancement (or SECURE) Act of 2019, signed into law on December 20, 2019 and effective January 1, 2020, intended to increase workers' access to 401(k) accounts by making them more readily available, in part by enabling small businesses to band together to offer this much needed retirement benefit.

The SECURE Act raised the age requirement for required minimum distributions (RMDs) from retirement accounts from the current age of 70.5 years to 72 years. The SECURE 2.0 Act raised that age requirement to 73, with an increase to age 75 in 2033. The SECURE Act proposed eliminating required distributions for smaller accounts (like those with less than $100,000 in assets), something that has been re-introduced in the “2.0” version. Secure 2.0 has also increased the amount of catch-up contributions that older workers are able to add to their qualified workplace retirement plans, like 401(k)s and 403(b)s. In 2023, American workers over the age of 50 can contribute an additional $7,500 a year (above the $22,500 contribution limit) to their retirement plans. Starting in 2025, this amount increases to the greater of $10,000 or 150% of the standard catch-up contribution imit. The original SECURE Act also allowed individuals to contribute to a traditional individual retirement account beyond the current age limit of 70.5 by repealing all age-related restrictions on these accounts, enabling those workers who choose (or need) to work later in life to continue saving for retirement. To encourage automatic enrollment and overall participation in retirement plans, the SECURE Act offers small employers tax credits to help offset the cost of setting up 401(k) accounts. It also makes employer-sponsored plans available to long-term, part-time workers.

The SECURE Act also allows participants to withdraw up to $5,000, penalty-free, after the birth or adoption of a child, but would curtail certain estate planning tactics that previously allowed retirement plan beneficiaries to “stretch” the funds they inherited from retirement accounts over their lifetime, thus reducing their tax burden.

One key provision re-introduced in the “2.0” version addresses the drain that student loan debt has on borrowers’ ability to save for retirement by allowing those with student loan payments to have those payments count toward a 401(k) contribution for employer matching purposes.

Annuity providers received a boost from the SECURE Act, which also allows annuities to be offered as investment options within 401(k) plans. Previously, employers held the fiduciary responsibility for ensuring these products were appropriate for employees’ portfolios. Now, the burden falls to annuity providers to offer the appropriate investment choices. CFRA views this component of the SECURE Act as a significant benefit for insurers who offer annuities.

SEC Adopts Best Interest Rule Following the Demise of the Fiduciary Rule

After the Department of Labor (DOL) failed to petition the U.S. Supreme Court to appeal the Fifth Circuit Court of Appeals’ decision to vacate the DOL’s fiduciary rule, it essentially ended the legal drama surrounding this controversial (and costly) proposed regulation that expanded the definition of who is a fiduciary under terms of the Employee Retirement Income Security Act of 1974 (ERISA). Following the demise of the DOL’s fiduciary rule, the Securities and Exchange Commission (SEC) adopted Regulation Best Interest (BI) in September 2019.

When the DOL initially unveiled its “final fiduciary rule” on April 6, 2016, the primary stated goal was to ensure that intermediaries who get paid to provide financial advice to retirement savers make recommendations that are “in the best interest of the investor,” as opposed to the previous standard that required recommendations to be “suitable.” The rule expanded the definition of who is an investment advice fiduciary under the ERISA, and would have elevated all financial professionals who work with retirement plans or who provide any level of retirement advice to the level of a fiduciary. Essentially, this meant that anyone selling retirement products (such as a stockbroker or an insurance agent) would no longer just have a legal duty to provide advice that is suitable; they would have been elevated to the highest legal obligation embedded in a fiduciary relationship.

The SEC BI requires broker-dealers to only recommend financial products to their customers that are in the customers’ “best interests”. Brokers are now held to a “best interest” standard, an elevation from the previous “suitability” standard. There are some exceptions to this rule, and the SEC does not refer to this as a fiduciary standard. The SEC rule also aims to implement its new broker standard through a combination of enhanced disclosures, including those that outline potential conflicts of interest over compensation and the sale of a firm’s proprietary products.

There is also an element of “title reform” in the current SEC proposal, meaning those firms only registered as broker-dealers would not be able to refer to their brokers as advisors (unless they were registered as such). However, this restriction would not apply to those intermediaries working on behalf of a bank or insurer. The proposal also contains the SEC’s interpretation of advisors’ fiduciary obligations and seeks feedback on potential enhancements to those legal obligations.

In the midst of the regulatory ping-pong that developed between the DOL and the SEC, the New York State Department of Financial Services (NYDFS) issued its final version of Insurance Regulation (IR) 187, which applies a “best interest” standard to annuity and life insurance product recommendations. IR 187 became effective on August 1, 2019 for annuities and kicks in on February 1, 2020 for life insurance products. This regulation has fairly wide-reaching implications for insurers, since it obliges insurers to monitor and take corrective action for any consumer who is harmed by an agent and/or producer who have failed to act in that consumer’s “best interest”.

CFRA believes the resolution of several years of regulatory uncertainty is a net positive for the Insurance industry, particularly for annuity writers who were the most heavily impacted by the DOL-SEC impasse. However, many insurers and other financial intermediaries have restructured their business models and spent hundreds of millions of dollars in regulatory and legal costs in anticipation of a more stringent regulatory environment that has not come to pass.

HOW THE INDUSTRY OPERATES

The Insurance industry is undergoing transformation by ongoing competitive pressure from banks and other financial intermediaries, as well as by regulatory changes and shifts in consumer preferences and habits. In the past, insurers typically provided protection in the event of a loss, be it one’s property or one’s life. Today, many insurers provide an array of other financial products and play an integral role in many people’s financial and estate planning. Many commercial lines insurers also engage in alternative forms of risk transfer, or manage their clients’ self-insured risks.

In its simplest form, however, insurance is still a business of shared risk. Insurers collect premiums from policyholders, invest those premiums, and often share some of that income with policyholders (in the form of a policy dividend or income from an annuity, or through a policy’s cash value). In the event of a loss, insurers give policyholders some sort of financial reimbursement – either upon the policyholder’s death, when a policy or an annuity matures, or in the event of a loss or injury or damage to physical property. In the following section, we discuss various kinds of ownership structures, assets, accounting methods, products, and other key information pertinent to how the industry operates. For purposes of this discussion, we include both mutual and stock insurance companies.

Two Accounting Methods: GAAP Versus SAP

Many U.S. insurers report their financial results using two kinds of accounting principles. For results submitted to regulators, insurers use statutory accounting principles (SAP). For results given to investors, they use generally accepted accounting principles (GAAP). However, many financial analysts also use SAP financial statements when evaluating an insurer.

The primary difference between the two accounting systems lies in a concept known as the matching principle. Under U.S. GAAP, expenses are charged (matched) to the period in which they were used to generate revenues and provide services, also known as accrual-based accounting. Under SAP, expenses are recognized as incurred, also known as cash-based accounting. One should note that GAAP principles can vary from country to country.

This means that, under SAP, expenses associated with writing an insurance policy – such as commissions and other underwriting expenses – are immediately expensed and deducted from income. Under GAAP, these same costs are treated as assets (referred to as a policy’s deferred acquisition costs, or DAC) and are amortized as expenses over the insurance policy’s life, which is the period over which the insurer provides its services to the policyholder. Since a policyholder can choose to terminate a policy at a future date, the insurer must estimate (for DAC amortization purposes) lapse rates and the lifetime of a policy. Changes in these estimates can cause an insurer to accelerate or decelerate DAC amortization over time.

Hence, under the more conservative SAP method, which emphasizes a company’s solvency, income and surplus tend to be lower than under the GAAP method, which emphasizes a firm’s ongoing profitability. Because regulators are primarily concerned with an insurer’s solvency and its concurrent ability to meet policyholder obligations, they choose to scrutinize a company’s financial statements using SAP. Investors, however, are usually more interested in an insurer’s ability to earn a profit, and tend to put more emphasis on an insurer’s financials using GAAP figures.

The Money Flows In…

Regardless of an insurance company's ownership structure, the insurance business is essentially one of sharing and managing risk. Insurers collect payments in the form of premiums from people who face similar risks. A portion of those payments is set aside to cover policyholders' losses. Therefore, earned premiums are typically an insurer's primary revenue source.

In general, insurance policies can be classified into either long-duration or short-duration contracts. Life insurers typically issue long-duration contracts such as whole-life, guaranteed renewable term life, and endowment. Short-duration contracts include mostly property and liability insurance contracts.

For life insurers, when a long-duration policy is issued, premiums are recognized as revenue when due from policyholders. Then, the present value of estimated future policy benefits to be paid less the present value of estimated future net premiums to be collected are accrued. This will be computed based on estimates of various factors such as expected return, mortality rates, terminations, and expenses at the time of issuance.

After premiums, the second-largest component of insurer revenues is investment income. This is derived from investing the funds set aside for loss reserves and unearned premium reserves, and from policyholders' surplus or shareholders' equity.

The revenue mix for many life insurers also includes (to varying degrees) fee and deposit-based income, reflecting a shift to products like variable annuities (VAs) and mutual funds.

The third and usually smallest revenue component is realized investment gains; this component is the most volatile and hardest to predict. Realized investment gains arise from the sale of securities (usually stocks and bonds) in an insurer's investment portfolio. Because the timing and magnitude of the gains depend on conditions in the securities markets, which are by their nature dynamic, it is difficult to forecast realized investment gains. Analysts typically exclude realized investment gains and/or losses from insurer earnings forecasts.

…and the Money Flows Out

Typically, the largest expenses facing an insurer are claim costs. Funds also are used to pay claims-related expenses and loss adjustment expenses (LAE), including insurance adjusters' fees and litigation expenses. Insurers face other expenses related to the underwriting process, such as salaries for actuarial staff. The underwriting profit (or loss) is determined by subtracting these expenses from earned premiums.

Another core expense for most insurers is the commission paid to the insurance broker, agent, or salesperson for selling a policy; this is usually deducted immediately from the collected premium. The insurance company generally accounts for this commission by deducting it from its policyholders' surplus account and crediting it to the unearned premium reserve.

Like most other companies, insurers incur various other operating expenses and interest costs. Pretax profits are calculated by subtracting these expenses from underwriting profits. After-tax (or net) income is derived by taking pretax profits and subtracting shareholder dividends and federal and state income taxes.

Finding Funds for Investment

Insurers derive funds for investment from four primary sources: policy reserves, the liability for unearned premiums and deposited funds, separate account liabilities, and capital and surplus. Policy reserves, which are the funds set aside to pay future claims, are by far the largest liability on an insurer's books.

Life insurers' reserves and liabilities for contract-type products totaled $3.89 trillion as of year-end 2022, up 4.0% from $3.74 trillion at year-end 2021, based on data from SNL Financial. At the end of 2022, life insurance net policy reserves equaled $3.2 trillion (81% of total reserves), while accident and health net policy reserves stood at $264.0 billion (7% of total reserves), and reserves for deposit-type contract equaled $468.3 billion (12%). Capital and surplus of life insurers at end-2022 totaled $467.0 billion.

Surplus Funds: Capital Counts

After investment assets and loss reserves, the third largest component of an insurer's balance sheet is policyholders' surplus, which is analogous to shareholders' equity.

Policyholders' surplus is one of the indicators that state regulators use to monitor and control insurers' solvency and growth. Industry surplus (sometimes referred to as capital or equity) appreciates or depreciates through retained earnings or losses, unrealized gains or losses from investment portfolios, and additions to investors' capital.

Typically, regulators permit insurers to leverage their surplus to a certain extent, allowing them to underwrite business equal to two to three times the amount of their surplus. However, industry leverage has declined in response to reassessments of risk and because of various factors contributing to overcapacity.

HOW TO ANALYZE A COMPANY IN THIS INDUSTRY

Three primary factors are important to consider when analyzing an insurer: profitability (its ability to make money), liquidity (its ability to convert assets into cash to pay policyholder obligations), and leverage (the extent to which the insurer uses its capital to produce business). These three points should be considered against a backdrop of a number of macroeconomic indicators that affect demand for insurance.

Profitability

Insurers' profits consist of two components: underwriting income and investment income. For purposes of this discussion, CFRA analyzes both of these as components of an insurer's operating income, which is net income excluding after-tax realized investment gains or losses. While most insurers report financial results on a net income basis, most analysts model and project profits on the basis of operating income.

The Profitability of Underwriting

When analyzing underwriting results, consider the company's rate of premium growth, its fee income, and whether it uses reinsurance. The company's expenses, including policyholder benefits, and its selling costs are then examined. These measures then can be compared with aggregate industry data to see how a company stacks up against its peers.

Some companies report fee income separately from premium income; others combine the two and call them "premiums and equivalents." Either way, both of these revenue components must be considered when analyzing underwriting results.

◆ **Rate of premium growth.** Pay careful attention to the circumstances surrounding the rate of premium growth. For example, if a company increases its premium base 10% while the overall industry is growing by 5% a year, that company would appear to be outperforming its peer group. Presumably, the stock market would award that firm a higher valuation than would be given to some of its slower-growth peers. However, if the insurer is achieving premium growth by adopting risky practices – such as offering unusually high rates of return on certain investment-oriented life insurance products or underpricing an auto insurance policy – that insurer's valuation would be adjusted downward accordingly.

A company expanding its premium base at a rate slower than that of the overall industry could be doing so because it is limiting its exposure to certain types of less attractive businesses or trying to manage its asset-liability mix. Often, insurers that are very prudent in their underwriting practices show lower-than-average premium growth but above-average profit growth.

◆ **Fee income.** As the Insurance industry's product mix shifts from one that generates only premium revenues (from so-called traditional insurance products) to one with a growing level of fee income (from fee-based products like annuities), the level of overall revenue growth may be masked by declining or flat premium growth. In many cases, this is offset by rather robust growth in fee income.

◆ **Reinsurance.** Another factor that affects the rate of premium growth is the extent to which an insurer uses reinsurance. This is the practice of transferring some risk – and premium income – to reinsurance companies. To offset slowing premium growth, some insurers have reduced the level of premiums that they cede (or transfer) to reinsurers. Because using less reinsurance lets an insurer keep more of each premium dollar, it may enhance year-to-year premium growth comps. However, using less reinsurance also removes a safety net of protection and leaves a primary insurer more exposed to large claims.

Watch Out! *Look out for earnings inflation or smoothing, misleading comparison to peers that do not utilize finite reinsurance, and inadequate risk transfer to qualify for reinsurance accounting, which could result in a restatement of financial results and/or regulatory or legal actions.*

◆ **Benefits and other expenses.** The largest expense facing most insurers is policyholder benefits. These include death benefits to life insurance policyholders; accident, health, and disability benefits to health insurance policyholders; and annuity benefits. Benefits also include surrender benefits, which arise when policyholders and annuitants terminate their policies or annuities.

Clearly, a sharp rise in any of those benefits should trigger a further investigation into the causes behind the rise. Again, an insurer's business mix will greatly influence its level of benefit expenses and the growth rates therein. For example, an insurer that writes a large amount of fixed-rate annuities (insurance contracts that guarantee the interest rate to be paid on the principal amount deposited in the annuity) may see its surrender rates increase if investors can obtain higher rates of return on their investment dollars elsewhere.

However, one should closely examine an insurer with surrender rates that rise sharply during a period of stable surrenders for the Insurance industry. This could indicate that policyholders and annuitants have lost faith in the company's ability to meet its obligations and have pulled out their money in a move similar to a "run" on a bank.

Two factors that influence the level of policyholder benefits for life insurers are trends in mortality and morbidity. Mortality is the ratio of deaths to a specific population. Morbidity is the frequency of the incidence of disease, illness, or sickness. Insurers use various mortality and morbidity assumptions in pricing their policies. While insurers usually do not disclose these assumptions, a section in the annual report called "management's discussion and analysis of financial condition" often includes a discussion of general mortality and morbidity trends. It is important to note whether actual mortality and morbidity trends were in line with the insurer's assumptions.

◆ **Selling costs.** Aside from assorted policyholder benefits, costs to produce new business or acquire policies (including agent commissions and other related selling expenses) also take a big bite out of insurers' budgets. To measure an insurer's effectiveness at marketing its products, a "lapse ratio" is used. This is the number of insurance contracts that have lapsed (or terminated due to nonpayment) within a specific period, divided by the number of policies in force during that period. A lower lapse ratio is usually better for an insurer's profitability, due to the high level of expenses (primarily agent commissions) that insurers incur to produce new business. Conversely, one would also look for a high level of persistency – the percentage of life insurance policies remaining in force or that have not been canceled for premium nonpayment – during the term.

Investment Profitability

Investment income is an important revenue source for life insurers; in some cases, it provides almost half of an insurer's total revenues. One should review the insurer's asset allocation strategy, then calculate such measures as yield and total return. Two standard financial ratios – return on assets (ROA) and return on equity (ROE) – also help the analyst to assess a company's profitability.

◆ **Asset allocation strategies.** When evaluating an insurer's investment portfolio, review its asset allocation strategy to see whether the mix of invested assets is appropriate for the kind of business that it writes. For most insurers, the investment process is fairly straightforward. Most insurers keep the bulk of their invested assets in relatively liquid fixed-income or equity securities that can be easily converted into cash to pay policy or annuity obligations.

For each asset class, such as stocks or bonds, a review of asset quality and diversification is prudent. To help in the analysis of asset quality, insurers usually provide the debt rating of bonds in their portfolio or an average debt rating for their entire portfolio.

Insurers' obligations tend to be relatively long term in nature: the amount of time from a policy's inception to the payment of a benefit or claim is often lengthy. For this reason, some insurers invest a portion of their invested assets in relatively illiquid (but theoretically higher-yielding) mortgage loans and real estate. A review of this asset class should include an analysis of the reserve levels, the level of delinquencies (in the case of mortgage loans), and the diversification of the real estate portfolio (both by property type and by geographic location).

> ***Watch Out!*** *Designating securities as held-to-maturity (HTM), available-for-sale (AFS), or trading, results in different balance sheet and income statement treatment for changes in the value of securities. Management can delay recognizing losses by classifying securities inconsistently with intent or practice.*

◆ **Measures of investment success.** Two industry-specific ratios that help the analyst to measure a company's investment success are yield and total return. Yield is usually calculated as the net investment income during a certain period, divided by the portfolio's average value during the same period. Total return is usually calculated as net investment income plus or minus realized and unrealized gains, divided by the portfolio's beginning market value plus or minus the weighted average of additions or dispositions.

> ***Watch Out!*** *We raise concerns when a company carries for an extended period of time investments that have declined significantly below fair value without recognizing this impairment through earnings. Companies can defer recognizing losses by failing to acknowledge an other-than-temporary-impairment (OTTI), which has the effect of overstating income and for most regulated financial companies, regulatory capital ratios.*

Liquidity

Liquidity is another necessary performance benchmark to consider when analyzing an insurer, because the insurer must be able to pay policyholder claims promptly. An insurer's sources of liquidity arise from underwriting cash flow, investment cash flow, and asset liquidation cash flow. For the most part, underwriting cash flow tends to be positive for insurers. Combining this with the cash flow from investment activities, most insurers usually produce a substantial, positive cash flow.

Another measure of liquidity is the quick ratio. This is calculated by dividing assets that can be quickly liquidated at reasonable cost (*i.e.*, cash, trade receivables, and marketable securities), by current liabilities. Sometimes referred to as the acid-test ratio, the quick ratio is designed to measure an organization's ability to pay all its current liabilities promptly without resorting to the more costly, and potentially ill-timed, sales of long-term investments or assets. An insurer with a business mix that contains mostly shorter-term obligations would need to maintain a higher quick ratio – that is, greater liquidity – than one with a business mix predominantly comprising longer-term obligations.

Leverage

For insurers, leverage usually measures the extent to which a firm uses its capital base (policyholders' surplus or shareholders' equity) to produce business.

The ratio of premiums to surplus is typically a good gauge of leverage. However, for an accurate picture of leverage, premium equivalence should also be included in this calculation. The ratio of adjusted capital and surplus to liabilities gauges the relative strength of an insurer's capital base compared with its obligations. This ratio is calculated as capital and surplus funds plus the asset valuation reserve, divided by total liabilities, excluding the asset valuation reserve.

Equity Valuation

Analysts generally value insurance companies on a forward price-to-book value per-share basis, excluding accumulated other comprehensive income (AOCI). Excluding AOCI is usually a more conservative way to assess book value. This is because insurers are large bondholders and, as such, often hold unrealized gains in their fixed-income portfolios, which flow through AOCI. As a result, AOCI typically inflates insurers' book values since companies usually do not harvest unrealized gains in their bond portfolios. Insurers prefer to keep a tight match between their assets and liabilities to guard against unforeseen events like interest-rate movements, changes in policyholder behavior, and a sudden increase in mortality or morbidity.

Historically, insurers' price-to-book multiples have been highly correlated with their ROE results. It is also important to compare an insurer's ROE versus its cost of capital. Insurers usually operate on a thin margin between the two metrics. While many insurers strive for a double-digit ROE, the average ROE in recent years has remained in the mid- to high-single-digit range for most insurers. For life & health insurers, the ROE for 2022 averaged 8.09%, down from 8.16% in 2021.

For most insurers, valuations have recovered from their precipitous fall during the credit crisis and are now approaching prior peak levels, with some exceptions for a handful of troubled insurers.

GLOSSARY

Agent—A person who acts as the representative of an insurer to sell insurance policies.

Annuity—A contract providing income at regular intervals for a specified period, such as a set number of years or the lifetime of the annuitant. Payouts for an annuity can be immediate or deferred, as well as fixed or variable, and premiums can be single, multiple, and/or flexible.

Broker—One who represents an insured in the solicitation, negotiation, or procurement of insurance contracts. A broker may also be an agent of the insurer for certain purposes such as policy delivery or premium collection.

Cede—To transfer to a reinsurer all or part of the insurance or reinsurance written by the ceding company.

Combined ratio—The sum of an expense ratio and a loss ratio, often under statutory accounting procedures. An underwriting profit occurs when the combined ratio is under 100%.

Disability benefit—A feature of some life insurance policies that provides for the waiver of premiums if the policyholder becomes totally and permanently disabled; a monthly income payment is sometimes provided as well.

Dividend ratio—Policyholders' dividends as a percentage of earned premiums. It is a component of the combined ratio.

Earned premium—A portion of a premium for which the insurer has already provided protection for the policyholder.

Expense ratio—The percentage of the premium dollar devoted to paying the expenses of the insurer other than losses, usually calculated on a statutory accounting basis.

Facultative reinsurance—Reinsurance covering only specified individual risks.

Generally accepted accounting principles (GAAP)—An accounting method that, among other things, attempts to match a company's income and expenses by prorating costs over an insurance policy's assumed life. The GAAP method is employed in the audited financial statements of publicly held companies. (See *Statutory accounting principles (SAP)*.)

Insurance in force—Insurance for which premiums are being paid or have been fully paid. It refers to the total face value of a life insurer's portfolio of business – in other words, the potential maximum claim against an insurer.

Insurtech—The use of technology innovations with the goal to extract savings and improve efficiency from the current Insurance industry model. Insurtech is derived from the words "insurance" and "technology".

Lapse ratio—The ratio of the number of contracts or policies lapsed during a specified period to the number in force at the beginning of that period.

Loss adjustment expense (LAE)—The cost of adjusting losses for filed claims, excluding the amount of the loss itself.

Loss ratio—Losses divided by the premiums paid.

Morbidity—The relative incidence of disease; often refers to the ratio of incidence of sickness to the number of people in a given group over a given time period.

Net operating income—After-tax income before net realized investment gains or losses. Analysts most commonly use this measure of insurer profitability when modeling the future earnings of an insurer.

Net premiums written—Premium income retained by insurance companies, directly or through accepting reinsurance, less payments made for business reinsured.

Persistency—The tendency or likelihood of an insurance business not lapsing or being replaced by another insurer's product.

Policy dividend—The return of part of the premium paid for a policy issued on a participating basis.

Policy loan—A loan made by a life insurance company from its general funds to a policyholder, using the policy's cash value as security.

Premium—The payment, or one of the periodic payments, which a policyholder agrees to make for an insurance policy.

Rate—The cost of a given unit of insurance; premium is the rate multiplied by the number of units of insurance purchased.

Reinsurance—The practice whereby a third party (the reinsurer) agrees to indemnify part or all of the liability from a policy underwritten by an insurance carrier in return for the payment of a premium or other consideration.

Reserves—Funds set aside to cover costs of claims incurred but not yet fully settled; the amount may represent both actual and potential liabilities.

Risk-based capital (RBC)—The amount of capital an insurer needs to meet its obligations to policyholders. State regulatory bodies calculate RBC levels, taking into account various types of risk, and compare them with companies' actual capital.

Statutory accounting principles (SAP)—An accounting format used by state insurance regulators, SAP is essentially cash-oriented (rather than accrual-oriented, as GAAP is) and has such requirements as immediately expensing all costs related to writing business. More conservative than GAAP, which focuses on profit growth, statutory accounting focuses on solvency – a firm's ability to meet its obligations.

Surplus—The excess of assets over liabilities; surplus determines an insurer's capacity to write business and consists of surplus paid in by stockholders and surplus earned through operations.

INDUSTRY REFERENCES

PERIODICALS

Best's Review
ambest.com/review/default.aspx
Magazine that covers issues in the life insurance industry.

BestWeek
ambest.com/bestweek/bestweekreports.aspx
Newsletter that covers issues in the life insurance industry.

Business Insurance
businessinsurance.com
Covers corporate risk, employee benefit, and managed health care news.

Investment News
investmentnews.com
Newsletter for investment advisers covering the entire financials industry.

National Underwriter Life & Health
thinkadvisor.com/National-Underwriter-Life-Health?slreturn=1499405876
Magazine that covers news and information on the life & health insurance and financial industries.

Pensions & Investments
pionline.com
Newsletter that concentrates on the professional money management industry.

BOOKS

Glossary of Insurance Terms, 2nd Ed.
Richard V. Rupp, CPCU
Chatsworth, CA: NILS Publishing Co., 1996

OneSumX NILS Glossary
NILS Publishing Co., unit of Wolters Kluwer Financial Services
http://onesumxnils.com/Glossary/gloss.asp
An online resource that defines common insurance industry terms and provides a search link so that users can see how specific states define the same term in certain areas of their legislation.

RESEARCH FIRMS

S&P Global Market Intelligence
snl.com
Comprehensive source of data and analysis for the financials industry.

Swiss Re Group
swissre.com
Wholesale provider of reinsurance, insurance, and other insurance-based forms of risk transfer.

TRADE ASSOCIATIONS

American Council of Life Insurers
acli.com
Leading trade association driving public policy and advocacy on behalf of the life insurance industry.

Insurance Information Institute
iii.org
A nonprofit, industry-supported organization that provides information about the insurance industry.

Insurance Services Office Inc.
verisk.com/iso.html
A trade organization and publisher of aggregate industry underwriting statistics.

LIMRA
limra.com
A research, consulting, and professional development organization that caters to financial services and insurance companies worldwide.

National Association of Health Underwriters
nahu.org
Publishes Belth's Annual Carrier Ratings Report, which provides facts about all U.S. life and health carriers.

National Association of Insurance Commissioners
naic.org
Publishes information on issues relevant to the insurance industry.

Reinsurance Association of America
reinsurance.org
The leading trade association of reinsurers doing business in the U.S.

Society of Professional Asset-Managers and Recordkeepers (The SPARK Institute, Inc.)
sparkusa.org
An inter-industry professional association serving mutual fund companies, banks, insurance companies, investment advisers, third-party administrators, and record keepers.

Stable Value Investment Association
stablevalue.org
Publishes a newsletter, technical papers, and information regarding stable value products, such as guaranteed investment contracts.

RATING AGENCIES
These agencies provide life/health insurers' financial strength ratings and reports; some also provide debt-rating services.

A.M. Best Co., Inc.
ambest.com

Fitch Ratings, Inc.
fitchratings.com

Moody's Investors Service, Inc.
moodys.com

GOVERNMENT AGENCIES

The Federal Reserve
federalreserve.gov
The U.S. central banking system that monitors risks to the financial system to support a healthy economy.

COMPARATIVE COMPANY ANALYSIS

Operating Revenues

Ticker	Company	Yr. End	Million $ 2022	2021	2020	2019	2018	2017	2016	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2014=100) 2022	2021	2020	2019	2018	2017
LIFE AND HEALTH INSURANCE																		
AFL	[] AFLAC INCORPORATED	DEC	19,502.0	22,106.0	22,147.0	22,307.0	21,758.0	21,667.0	22,559.0	-2.6	-2.1	-11.8	86	98	98	99	96	96
AEL	§ AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	1,435.1	3,689.5	2,426.7	3,467.4	1,546.2	3,910.2	2,220.8	-1.4	-18.2	-61.1	65	166	109	156	70	176
BHF	† BRIGHTHOUSE FINANCIAL, INC.	DEC	8,464.0	7,137.0	8,498.0	6,520.0	8,864.0	6,839.0	2,982.0	NA	4.4	18.6	284	239	285	219	297	229
CNO	† CNO FINANCIAL GROUP, INC.	DEC	3,576.8	4,122.2	3,821.1	4,015.8	4,313.5	4,297.2	3,985.1	-1.9	-3.6	-13.2	90	103	96	101	108	108
GNW	§ GENWORTH FINANCIAL, INC.	DEC	7,507.0	7,832.0	8,284.0	7,705.0	7,901.0	7,513.0	8,369.0	-2.5	0.0	-4.1	90	94	99	92	94	90
GL	[] GLOBE LIFE INC.	DEC	5,214.9	5,112.9	4,737.9	4,527.5	4,303.8	4,155.6	3,934.6	3.8	4.6	2.0	133	130	120	115	109	106
LNC	[] LINCOLN NATIONAL CORPORATION	DEC	18,766.0	19,862.0	17,439.0	17,258.0	16,424.0	14,257.0	13,330.0	5.0	5.6	-5.5	141	149	131	129	123	107
MET	[] METLIFE, INC.	DEC	69,898.0	71,080.0	67,842.0	69,620.0	67,941.0	62,308.0	60,732.0	0.2	2.3	-1.7	115	117	112	115	112	103
PRI	† PRIMERICA, INC.	DEC	2,784.1	2,771.9	2,275.0	2,100.8	1,937.3	1,716.0	1,538.0	9.2	10.2	0.4	181	180	148	137	126	112
PFG	[] PRINCIPAL FINANCIAL GROUP, INC.	DEC	17,491.6	14,262.7	14,741.7	16,222.1	14,237.2	14,093.2	12,394.1	6.6	4.4	22.6	141	115	119	131	115	114
PRU	[] PRUDENTIAL FINANCIAL, INC.	DEC	58,378.0	70,871.0	57,091.0	64,807.0	62,992.0	59,802.0	58,944.0	-4.0	-0.5	-17.6	99	120	97	110	107	101
TRUP	§ TRUPANION, INC.	DEC	905.2	699.0	502.0	383.9	304.0	243.7	188.2	32.2	30.0	29.5	481	371	267	204	161	129
UNM	† UNUM GROUP	DEC	11,991.0	12,013.8	13,162.1	11,998.9	11,598.5	11,286.8	11,046.5	1.3	1.2	-0.2	109	109	119	109	105	102
MULTI-LINE INSURANCE																		
AFG	† AMERICAN FINANCIAL GROUP, INC.	DEC	6,810.0	6,393.0	5,579.0	5,974.0	6,939.0	6,684.0	6,345.0	3.7	0.4	6.5	107	101	88	94	109	105
AIG	[] AMERICAN INTERNATIONAL GROUP, INC.	DEC	56,418.0	52,049.0	43,337.0	49,517.0	47,590.0	49,448.0	51,209.0	-2.3	2.7	8.4	110	102	85	97	93	97
AIZ	[] ASSURANT, INC.	DEC	10,193.0	10,187.6	9,597.6	9,406.1	8,000.7	6,415.0	7,502.2	1.8	9.7	0.1	136	136	128	125	107	86
HMN	§ HORACE MANN EDUCATORS CORPORATION	DEC	1,382.9	1,330.1	1,310.4	1,430.5	1,191.6	1,171.6	1,128.9	3.2	3.4	4.0	122	118	116	127	106	104
HIG	[] THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	22,356.0	22,349.0	20,494.0	20,736.0	18,925.0	17,125.0	16,254.0	0.2	5.5	0.0	138	137	126	128	116	105

Note: Data as originally reported. CAGR-Compound annual growth rate.
[]Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

				Net Income														
				Million $							CAGR (%)			Index Basis (2014=100)					
Ticker		Company	Yr. End	2022	2021	2020	2019	2018	2017	2016	10-Yr.	5-Yr.	1-Yr.	2022	2021	2020	2019	2018	2017
LIFE AND HEALTH INSURANCE																			
AFL	[]	AFLAC INCORPORATED	DEC	4,201.0	4,325.0	4,778.0	3,304.0	2,920.0	4,604.0	2,659.0	3.9	-1.8	-2.9	158	163	180	124	110	173
AEL	§	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	1,220.9	474.0	671.5	246.1	458.0	174.6	83.2	35.7	47.5	157.6	1467	569	807	296	550	210
BHF	†	BRIGHTHOUSE FINANCIAL, INC.	DEC	5.0	-108.0	-1,061.0	-740.0	865.0	-378.0	-2,939.0	NA	NM	NM	0	4	36	25	-29	13
CNO	†	CNO FINANCIAL GROUP, INC.	DEC	396.8	441.0	301.8	409.4	-315.0	175.6	358.2	6.0	17.7	-10.0	111	123	84	114	-88	49
GNW	§	GENWORTH FINANCIAL, INC.	DEC	609.0	904.0	178.0	343.0	119.0	817.0	-277.0	6.5	-5.7	-32.6	-220	-326	-64	-124	-43	-295
GL	[]	GLOBE LIFE INC.	DEC	739.7	745.0	731.8	760.8	701.5	1,454.5	549.8	3.4	-12.6	-0.7	135	136	133	138	128	265
LNC	[]	LINCOLN NATIONAL CORPORATION	DEC	-2,241.0	1,887.0	499.0	886.0	1,641.0	2,079.0	1,192.0	NA	NM	NM	-188	158	42	74	138	174
MET	[]	METLIFE, INC.	DEC	2,539.0	6,554.0	5,407.0	5,899.0	5,123.0	4,010.0	850.0	6.7	-8.7	-61.3	299	771	636	694	603	472
PRI	†	PRIMERICA, INC.	DEC	373.0	373.4	386.2	366.4	324.1	350.3	219.4	7.9	1.3	-0.1	170	170	176	167	148	160
PFG	[]	PRINCIPAL FINANCIAL GROUP, INC.	DEC	4,811.6	1,710.6	1,395.8	1,394.2	1,546.5	2,310.4	1,316.5	19.6	15.8	181.3	365	130	106	106	117	175
PRU	[]	PRUDENTIAL FINANCIAL, INC.	DEC	-1,438.0	7,724.0	-374.0	4,186.0	4,074.0	7,863.0	4,368.0	NA	NM	NM	-33	177	-9	96	93	180
TRUP	§	TRUPANION, INC.	DEC	-44.7	-35.5	-5.8	-1.8	-0.9	-1.5	-6.9	21.4	97.1	25.7	648	515	85	26	13	22
UNM	†	UNUM GROUP	DEC	1,314.2	824.2	793.0	1,100.3	523.4	994.2	931.4	3.9	5.7	59.5	141	88	85	118	56	107
MULTI-LINE INSURANCE																			
AFG	†	AMERICAN FINANCIAL GROUP, INC.	DEC	898.0	1,995.0	732.0	897.0	530.0	475.0	649.0	6.3	13.6	-55.0	138	307	113	138	82	73
AIG	[]	AMERICAN INTERNATIONAL GROUP, INC.	DEC	10,276.0	9,388.0	-5,944.0	3,348.0	-6.0	-6,084.0	-849.0	11.6	NM	9.5	NM	NM	700	-394	1	717
AIZ	[]	ASSURANT, INC.	DEC	276.6	1,361.8	440.8	382.6	251.0	519.6	565.4	-5.4	-11.8	-79.7	49	241	78	68	44	92
HMN	§	HORACE MANN EDUCATORS CORPORATION	DEC	-2.6	142.8	133.3	184.4	18.3	169.5	83.8	NA	NM	NM	-3	170	159	220	22	202
HIG	[]	THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	1,815.0	2,365.0	1,737.0	2,085.0	1,807.0	-3,131.0	896.0	NA	NM	-23.3	203	264	194	233	202	-349

Note: Data as originally reported. CAGR-Compound annual growth rate.
[]Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

				Return on Revenues (%)						Return on Assets (%)						Return on Equity (%)					
Ticker		**Company**	**Yr. End**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
LIFE AND HEALTH INSURANCE																					
AFL	[]	AFLAC INCORPORATED	DEC	21.5	19.6	21.6	14.8	13.4	21.2	3.2	2.7	2.9	2.2	2.1	3.4	15.1	12.9	15.3	12.6	12.2	20.4
AEL	§	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	85.1	12.8	27.7	7.1	29.6	4.5	1.7	0.6	0.9	0.4	0.7	0.3	25.7	7.5	12.3	7.1	17.5	6.8
BHF	†	BRIGHTHOUSE FINANCIAL, INC.	DEC	0.1	NM	NM	NM	9.8	NM	0.0	NM	NM	NM	0.4	NM	0.1	NM	NM	NM	6.0	NM
CNO	†	CNO FINANCIAL GROUP, INC.	DEC	11.1	10.7	7.9	10.2	NM	4.1	1.2	1.2	0.9	1.2	NM	0.5	11.9	8.2	5.9	10.2	NM	3.8
GNW	§	GENWORTH FINANCIAL, INC.	DEC	8.1	11.5	2.1	4.5	1.5	10.9	0.7	0.9	0.2	0.3	0.1	0.8	5.5	5.7	4.6	2.7	0.5	3.6
GL	[]	GLOBE LIFE INC.	DEC	14.2	14.6	15.4	16.8	16.3	35.0	2.9	2.5	2.5	2.9	3.0	6.2	10.9	8.6	9.1	12.0	12.0	27.0
LNC	[]	LINCOLN NATIONAL CORPORATION	DEC	NM	9.5	2.9	5.1	10.0	14.6	NM	0.5	0.1	0.3	0.6	0.7	NM	8.7	2.4	5.2	10.4	13.1
MET	[]	METLIFE, INC.	DEC	3.6	9.2	8.0	8.5	7.5	6.4	0.4	0.9	0.7	0.8	0.7	0.6	5.4	9.2	7.7	9.9	9.2	7.9
PRI	†	PRIMERICA, INC.	DEC	13.4	13.5	17.0	17.4	16.7	20.4	2.4	2.3	2.6	2.7	2.6	2.8	19.3	19.0	22.1	23.5	22.5	26.5
PFG	[]	PRINCIPAL FINANCIAL GROUP, INC.	DEC	27.5	12.0	9.5	8.6	10.9	16.4	1.6	0.6	0.5	0.5	0.6	0.9	36.3	10.5	9.0	10.8	12.5	19.9
PRU	[]	PRUDENTIAL FINANCIAL, INC.	DEC	NM	10.9	NM	6.5	6.5	13.1	NM	0.8	NM	0.5	0.5	0.9	NM	11.9	NM	7.5	7.9	15.9
TRUP	§	TRUPANION, INC.	DEC	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
UNM	†	UNUM GROUP	DEC	11.0	6.9	6.0	9.2	4.5	8.8	2.1	1.2	1.1	1.6	0.8	1.6	12.8	7.4	7.6	11.8	5.8	10.7
MULTI-LINE INSURANCE																					
AFG	†	AMERICAN FINANCIAL GROUP, INC.	DEC	13.2	31.2	13.1	15.0	7.6	7.1	3.1	6.9	1.0	1.3	0.8	0.8	19.8	18.3	4.8	8.7	10.0	9.3
AIG	[]	AMERICAN INTERNATIONAL GROUP, INC.	DEC	18.2	18.0	NM	6.8	NM	NM	2.0	1.6	NM	0.6	NM	NM	20.3	14.6	NM	6.6	0.2	NM
AIZ	[]	ASSURANT, INC.	DEC	2.7	13.4	4.6	4.1	3.1	8.1	0.8	4.0	1.0	0.9	0.6	1.6	5.7	10.6	8.9	5.7	5.4	12.4
HMN	§	HORACE MANN EDUCATORS CORPORATION	DEC	NM	10.7	10.2	12.9	1.5	14.5	NM	1.0	1.0	1.5	0.2	1.5	NM	7.9	7.9	12.9	1.3	12.1
HIG	[]	THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	8.1	10.6	8.5	10.1	9.5	NM	2.5	3.1	2.3	2.9	2.9	NM	11.5	13.0	10.0	14.2	11.2	NM

Note: Data as originally reported. CAGR-Compound annual growth rate.
[]Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

				Current Ratio						Debt/Capital Ratio (%)						Debt as a % of Net Working Capital					
Ticker		Company	Yr. End	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017
LIFE AND HEALTH INSURANCE																					
AFL	[]	AFLAC INCORPORATED	DEC	0.9	0.6	0.6	0.5	0.5	0.4	30.7	24.3	21.1	22.7	23.3	19.7	NM	NM	NM	-93.3	-89.0	-60.2
AEL	§	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	0.5	0.7	1.1	0.4	0.1	0.3	21.4	8.3	8.3	12.5	27.0	20.6	-30.8	-18.6	43.3	-8.6	-11.0	-10.1
BHF	†	BRIGHTHOUSE FINANCIAL, INC.	DEC	2.0	1.6	1.9	2.1	2.3	2.1	83.9	48.7	40.4	42.5	48.9	42.8	56.3	97.6	66.5	72.8	76.2	77.7
CNO	†	CNO FINANCIAL GROUP, INC.	DEC	2.4	2.3	2.6	2.6	2.9	1.7	72.3	43.2	41.7	44.7	54.1	45.0	115.8	121.6	101.8	101.0	99.3	263.7
GNW	§	GENWORTH FINANCIAL, INC.	DEC	9.1	9.9	5.1	6.4	4.5	3.9	13.0	10.5	18.1	20.0	22.6	24.3	9.6	10.9	18.3	19.8	20.9	29.2
GL	[]	GLOBE LIFE INC.	DEC	0.6	0.3	0.4	0.4	1.2	1.2	29.3	18.4	18.4	19.0	24.5	19.8	NM	NM	NM	NM	1,195.4	876.8
LNC	[]	LINCOLN NATIONAL CORPORATION	DEC	3.2	3.3	2.9	3.4	4.0	3.1	61.1	25.6	25.3	25.5	29.9	23.4	27.4	24.4	34.0	26.5	24.4	68.1
MET	[]	METLIFE, INC.	DEC	1.2	1.0	1.1	1.1	1.1	1.0	94.0	75.2	70.4	71.1	76.8	75.0	953.9	4,764.3	2,338.5	3,051.1	1,705.4	NM
PRI	†	PRIMERICA, INC.	DEC	4.5	4.5	5.0	6.3	6.4	6.2	56.9	51.2	50.4	49.4	49.8	47.4	52.3	48.6	41.4	37.7	33.5	28.5
PFG	[]	PRINCIPAL FINANCIAL GROUP, INC.	DEC	1.4	2.1	2.5	2.5	2.7	3.1	26.8	21.0	20.6	20.5	21.9	19.9	40.6	133.3	103.5	93.3	76.6	57.0
PRU	[]	PRUDENTIAL FINANCIAL, INC.	DEC	1.2	1.0	0.6	0.6	0.6	0.6	89.1	41.5	39.5	41.1	49.0	43.7	489.6	NM	NM	NM	NM	NM
TRUP	§	TRUPANION, INC.	DEC	1.6	1.7	2.2	1.7	1.8	1.9	18.3	0.0	0.0	16.0	9.1	16.1	39.4	0.0	0.0	39.9	24.1	23.5
UNM	†	UNUM GROUP	DEC	21.2	25.4	32.4	7.8	17.6	8.1	27.2	23.2	23.5	22.7	25.6	22.2	26.0	24.7	23.7	39.7	39.2	36.9
MULTI-LINE INSURANCE																					
AFG	†	AMERICAN FINANCIAL GROUP, INC.	DEC	1.9	2.2	1.2	1.3	1.4	1.7	27.0	28.2	22.4	29.1	33.0	20.0	40.4	42.0	26.3	101.2	107.5	33.2
AIG	[]	AMERICAN INTERNATIONAL GROUP, INC.	DEC	0.8	0.7	0.7	0.6	0.6	0.6	37.2	30.4	35.8	34.4	37.6	32.5	-80.2	-68.7	-92.8	-96.0	-80.6	-73.7
AIZ	[]	ASSURANT, INC.	DEC	0.4	0.4	0.7	0.6	0.6	0.9	31.1	25.8	27.0	38.9	39.3	21.4	-12.6	-13.3	-20.0	-38.6	-37.5	-92.1
HMN	§	HORACE MANN EDUCATORS CORPORATION	DEC	2.6	2.9	2.8	2.8	0.3	0.2	60.5	24.4	20.9	23.2	18.7	16.5	51.5	24.9	24.6	25.0	-59.9	-55.6
HIG	[]	THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	2.1	2.1	2.1	1.9	2.2	1.0	24.2	21.7	19.0	21.1	25.0	26.7	50.6	61.2	58.4	69.7	62.7	69.3

Note: Data as originally reported. CAGR-Compound annual growth rate.
[]Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

				Price/Earnings Ratio (High-Low)						Dividend Payout Ratio (%)						Dividend Yield (High-Low, %)					
Ticker		Company	Yr. End	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																					
AFL	[]	AFLAC INCORPORATED	DEC	11 - 8	9 - 7	8 - 4	13 - 10	13 - 11	8 - 6	23.3	19.8	16.1	23.3	27.2	14.4	3.0 - 2.3	3.1 - 2.3	4.4 - 2.0	2.5 - 1.9	2.5 - 2.0	2.6 - 2.0
AEL	§	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	4 - 3	9 - 6	5 - 2	12 - 8	7 - 5	16 - 11	6.1	15.8	9.3	11.1	5.5	13.3	1.0 - 0.8	1.2 - 0.8	2.6 - 0.9	1.4 - 0.8	0.9 - 0.7	1.1 - 0.8
BHF	†	BRIGHTHOUSE FINANCIAL, INC.	DEC	NM - NM	NM - NM	NM - NM	NM - NM	9 - 4	NM - NM	2080.0	NM	NM	NM	0.0	NM	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
CNO	†	CNO FINANCIAL GROUP, INC.	DEC	8 - 5	8 - 6	11 - 4	7 - 5	NM - NM	25 - 18	16.3	14.9	22.2	16.4	NM	33.9	3.3 - 2.0	2.4 - 1.8	4.9 - 2.1	3.1 - 2.2	2.3 - 1.4	1.8 - 1.4
GNW	§	GENWORTH FINANCIAL, INC.	DEC	4 - 3	3 - 2	14 - 6	7 - 4	20 - 11	3 - 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
GL	[]	GLOBE LIFE INC.	DEC	16 - 12	15 - 12	16 - 8	15 - 11	15 - 11	7 - 6	10.9	10.7	10.7	9.8	10.2	4.7	0.9 - 0.7	0.9 - 0.7	1.3 - 0.6	0.9 - 0.7	0.8 - 0.6	0.8 - 0.7
LNC	[]	LINCOLN NATIONAL CORPORATION	DEC	NM - NM	8 - 5	24 - 7	15 - 12	11 - 6	8 - 7	NM	16.9	62.3	34.2	17.6	12.6	5.5 - 2.4	3.7 - 2.2	9.4 - 2.6	3.0 - 2.2	2.4 - 1.5	1.8 - 1.5
MET	[]	METLIFE, INC.	DEC	26 - 20	9 - 6	9 - 4	8 - 7	11 - 8	15 - 13	70.2	28.1	34.4	30.9	35.5	45.4	3.5 - 2.6	4.1 - 2.9	7.5 - 3.3	4.4 - 3.5	4.2 - 2.9	3.4 - 2.8
PRI	†	PRIMERICA, INC.	DEC	16 - 11	19 - 14	15 - 6	16 - 11	17 - 12	14 - 9	22.5	20.0	16.7	15.7	13.6	10.2	2.0 - 1.2	1.3 - 1.1	2.6 - 1.0	1.2 - 0.8	1.1 - 0.8	1.1 - 0.8
PFG	[]	PRINCIPAL FINANCIAL GROUP, INC.	DEC	5 - 3	12 - 8	11 - 5	12 - 9	14 - 8	9 - 7	13.3	38.2	44.0	43.5	38.7	23.4	4.2 - 2.7	4.7 - 3.5	9.3 - 3.9	5.3 - 3.6	4.7 - 2.6	3.2 - 2.7
PRU	[]	PRUDENTIAL FINANCIAL, INC.	DEC	NM - NM	6 - 4	NM - NM	10 - 8	13 - 8	6 - 5	NM	23.5	NM	39.2	37.3	16.5	5.6 - 3.9	5.9 - 4.0	11.2 - 4.1	5.1 - 3.8	4.0 - 2.4	3.0 - 2.6
TRUP	§	TRUPANION, INC.	DEC	NM - NM	NM - NM	NM - NM	NM - NM	NM - NM	NM - NM	0.0	0.0	0.0	0.0	0.0	0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
UNM	†	UNUM GROUP	DEC	7 - 4	8 - 5	8 - 3	7 - 5	25 - 11	13 - 10	19.3	29.0	29.2	20.8	41.2	19.7	5.4 - 2.9	5.4 - 3.7	11.0 - 3.7	4.5 - 2.8	3.1 - 1.6	2.0 - 1.6
MULTI-LINE INSURANCE																					
AFG	†	AMERICAN FINANCIAL GROUP, INC.	DEC	14 - 11	6 - 3	14 - 6	11 - 9	20 - 14	20 - 16	97.2	113.0	22.0	16.4	24.0	22.9	1.9 - 1.5	2.5 - 1.4	7.0 - 2.1	3.6 - 2.8	3.1 - 2.4	2.9 - 2.3
AIG	[]	AMERICAN INTERNATIONAL GROUP, INC.	DEC	5 - 4	6 - 3	NM - NM	15 - 10	NM - NM	NM - NM	9.8	11.8	NM	33.9	NM	NM	2.7 - 2.0	3.5 - 2.1	6.8 - 2.3	3.5 - 2.2	3.2 - 2.0	2.2 - 1.9
AIZ	[]	ASSURANT, INC.	DEC	38 - 24	7 - 5	20 - 11	23 - 15	28 - 21	11 - 9	54.3	11.9	39.3	44.5	59.0	22.9	2.3 - 1.4	2.2 - 1.5	3.1 - 1.8	2.9 - 1.9	2.6 - 2.0	2.5 - 2.0
HMN	§	HORACE MANN EDUCATORS CORPORATION	DEC	NM - NM	13 - 11	14 - 10	11 - 8	107 - 81	12 - 8	NM	36.0	37.2	25.7	254.5	27.2	3.9 - 2.9	3.4 - 2.7	3.8 - 2.5	3.3 - 2.4	3.0 - 2.3	3.2 - 2.3
HIG	[]	THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	14 - 11	11 - 7	13 - 5	11 - 7	12 - 8	NM - NM	29.0	21.4	27.5	21.8	21.0	NM	2.5 - 2.0	2.9 - 1.9	5.0 - 2.0	2.9 - 1.9	2.7 - 1.7	2.0 - 1.6

Note: Data as originally reported. CAGR-Compound annual growth rate.
[]Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

				Earnings per Share ($)						Tangible Book Value per Share ($)						Share Price (High-Low, $)					
Ticker		Company	Yr. End	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018	2017
LIFE AND HEALTH INSURANCE																					
AFL	[]	AFLAC INCORPORATED	DEC	6.6	6.4	6.7	4.4	3.8	5.8	35.9	50.6	48.1	39.8	31.1	31.5	72.7 - 52.1	59.2 - 43.0	53.5 - 23.1	57.2 - 44.3	48.2 - 41.4	44.9 - 33.3
AEL	§	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	12.9	4.6	6.9	2.7	5.0	1.9	37.4	68.3	66.3	50.2	26.5	31.9	46.8 - 28.1	39.9 - 26.2	34.3 - 9.1	33.6 - 20.2	38.6 - 25.3	32.5 - 21.7
BHF	†	BRIGHTHOUSE FINANCIAL, INC.	DEC	-1.4	-2.4	-11.6	-6.8	7.2	-3.2	87.5	207.3	204.3	152.5	122.7	121.2	62.3 - 38.4	56.9 - 34.9	48.3 - 12.1	44.1 - 29.7	67.6 - 28.5	63.7 - 52.8
CNO	†	CNO FINANCIAL GROUP, INC.	DEC	3.4	3.4	2.1	2.6	-1.9	1.0	12.3	43.7	40.5	31.6	20.8	29.1	26.7 - 16.6	27.9 - 21.1	23.5 - 8.8	19.3 - 14.0	26.5 - 13.6	25.8 - 18.5
GNW	§	GENWORTH FINANCIAL, INC.	DEC	1.2	1.8	0.3	0.7	0.2	1.6	19.7	30.3	30.0	27.8	24.3	26.4	5.4 - 3.4	4.6 - 2.6	4.8 - 1.9	5.0 - 2.9	4.9 - 2.7	4.2 - 3.1
GL	[]	GLOBE LIFE INC.	DEC	7.5	7.2	6.8	6.8	6.1	12.2	45.6	82.0	80.2	63.6	44.9	50.5	122.1 - 87.9	108.2 - 85.3	111.4 - 56.7	107.3 - 73.5	93.6 - 69.7	91.3 - 72.6
LNC	[]	LINCOLN NATIONAL CORPORATION	DEC	-13.2	10.0	2.6	4.4	7.4	9.2	14.2	106.9	108.5	90.8	60.8	72.9	76.4 - 28.6	77.6 - 44.6	62.0 - 16.1	67.5 - 49.7	86.7 - 48.1	78.7 - 61.5
MET	[]	METLIFE, INC.	DEC	2.9	7.3	5.7	6.1	4.9	3.6	19.6	67.4	69.6	60.7	43.8	45.8	77.4 - 57.4	67.7 - 45.7	53.3 - 22.9	51.6 - 40.3	55.2 - 37.8	56.6 - 46.4
PRI	†	PRIMERICA, INC.	DEC	9.7	9.4	9.6	8.6	7.3	7.6	38.2	43.4	45.6	39.0	33.1	30.9	159.5 - 110.2	179.5 - 128.8	141.2 - 61.2	138.1 - 94.1	128.4 - 90.1	106.4 - 69.0
PFG	[]	PRINCIPAL FINANCIAL GROUP, INC.	DEC	18.9	6.3	5.1	5.0	5.4	7.9	28.2	49.1	48.0	40.3	32.1	36.2	96.2 - 61.1	74.3 - 47.5	57.2 - 23.3	60.8 - 43.3	75.6 - 40.4	72.2 - 56.1
PRU	[]	PRUDENTIAL FINANCIAL, INC.	DEC	-3.9	19.5	-1.0	10.1	9.5	17.9	41.4	159.6	161.7	149.9	116.1	126.1	124.2 - 85.5	115.5 - 75.7	97.2 - 38.6	106.4 - 77.7	127.1 - 75.6	118.2 - 97.9
TRUP	§	TRUPANION, INC.	DEC	-1.1	-0.9	-0.2	-0.1	0.0	-0.1	5.8	6.8	7.1	3.7	3.6	1.4	135.1 - 40.8	158.2 - 69.7	124.7 - 22.5	37.8 - 20.8	46.7 - 22.4	33.0 - 13.7
UNM	†	UNUM GROUP	DEC	6.5	4.0	3.9	5.2	2.4	4.4	44.8	54.6	51.6	47.4	38.6	41.5	46.6 - 24.2	32.0 - 21.9	30.6 - 9.6	38.3 - 24.7	58.7 - 26.8	57.6 - 43.6
MULTI-LINE INSURANCE																					
AFG	†	AMERICAN FINANCIAL GROUP, INC.	DEC	10.5	23.3	8.2	9.9	5.9	5.3	43.7	55.7	76.2	66.7	52.7	57.8	152.3 - 119.0	146.6 - 79.2	115.0 - 44.0	111.9 - 88.7	121.7 - 84.2	109.4 - 85.6
AIG	[]	AMERICAN INTERNATIONAL GROUP, INC.	DEC	13.0	10.8	-6.9	3.7	0.0	-6.5	47.5	74.1	71.4	69.9	59.9	70.6	65.7 - 47.1	62.5 - 36.8	56.4 - 16.1	58.7 - 38.7	65.1 - 36.2	67.5 - 57.9
AIZ	[]	ASSURANT, INC.	DEC	5.1	22.6	7.0	5.9	4.0	9.4	18.7	39.0	45.9	46.1	35.0	58.5	194.1 - 119.0	172.2 - 121.6	142.6 - 76.3	134.3 - 88.3	111.4 - 82.3	107.0 - 86.0
HMN	§	HORACE MANN EDUCATORS CORPORATION	DEC	-0.1	3.4	3.2	4.4	0.4	4.1	24.9	39.1	38.3	32.5	30.3	35.7	43.0 - 32.6	44.7 - 36.2	46.2 - 30.5	48.2 - 34.4	47.5 - 35.3	47.7 - 33.9
HIG	[]	THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	5.4	6.6	4.8	5.7	4.9	-8.6	33.7	44.0	42.9	36.2	30.1	32.4	77.0 - 60.2	78.2 - 47.5	61.3 - 19.0	62.8 - 42.8	59.2 - 40.5	58.6 - 46.4

Note: Data as originally reported. CAGR-Compound annual growth rate.
[]Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
Souce: S&P Capital IQ.

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