Industry Surveys

Life & Health Insurance

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CHARTS & FIGURES

NEW THEMES

What's Changed: After posting record-setting growth in operating revenues in 2021, life insurers have faced a more challenging operating environment in 2022. Check out page 13.

What's Changed: Annuity sales staged a solid recovery in 2021, but CFRA expects more modest annuity sales growth in 2022, due to weak and volatile equity market conditions as well as higher interest rates. We discuss more on this on pages 19-20.

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.

Insurers are Entering 2023 with an Array of Challenges and Opportunities

Many insurers emerged from the last several pandemic-driven years with an array of challenges and opportunities. Demand for life insurance is being fueled by three forces: a pandemic-driven realization of the need for coverage; demographic shifts as millennials come of age; and an increase in group benefits amid a still-healthy labor market. These forces helped drive an 11.5% rise in life insurance premiums in 2021, well above our forecasted increase of 5.8%. Growth in 2022 will likely be more modest, reflecting a more challenging economic environment. CFRA forecasts total direct life insurance premiums will rise by 2% to 3% in 2022 and by 1% to 2% in 2023.

The Annuities Market is at an Inflection Point

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. Annuity sales staged a solid recovery in 2021, rising 16% to $254.8 billion from $219 billion. CFRA expects more modest annuity sales growth in 2022, as weak and volatile equity market conditions dampen demand for variable annuities, offset by an uptick in investors' appetites for fixed annuities, as credited interest rates on fixed annuity products catch up to the rise in prevailing interest rates. Nine-month 2022 sales trends reflect this. Total U.S. annuity sales growth was 17% year-over-year in the first nine months of 2022, as a 46% rise in fixed annuity sales (to $143.3 billion from $98.4 billion) was partly offset by a 14% drop in variable annuity sales (to $80.1 billion from $93.3 billion). We expect these trends to persist throughout 2022, and forecast total annuity sales growth of just under 10%, or about $279 billion. Our forecast for 2023 assumes total annuity sales growth of 11% (to an estimated $310 billion), driven by 5% expected growth in variable annuities (to $105 billion) and a 15% rise in fixed annuities (to an estimated $205 billion).

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.

Shares of Many Life Insurers Have Outperformed in a Volatile Environment

Our neutral fundamental outlook on the Life & Health Insurance sub-industry reflects our view that the numerous challenges facing this industry will limit the degree to which it can profitably grow. However, we have a positive view on the shares of many publicly traded life insurers, reflecting our view that valuations remain attractive and that an easing of interest rate pressures, coupled with an expected increase in the level of restructuring and merger and acquisition activity, provide the shares with a catalyst. After rising 30.5% in 2021, the S&P Life Insurance Sub-Industry Index rose by 3.9%, year-to-date through December 16, 2022, versus a 13.9% drop in the S&P Financial Sector and a 19.2% drop in the S&P 500.

LIFE & HEALTH INSURANCE

Outlook: Neutral

MARKET CAP BREAKDOWN

(as of December 8, 2022)

RANK NO.	COMPANY NAME	MARKET CAP ($ billion)
1	MetLife	58.3
2	AIG*	46.1
3	Aflac	44.3
4	Prudential	37.7
5	The Hartford*	23.7
	Others†	51.2

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

KIE Insurance Sector SPDR	AUM ($M) 528.89	Expense Ratio 0.35
IAK iShares U.S. Insurance	AUM ($M) 545.46	Expense Ratio 0.42

BY THE NUMBERS

$254.6 billion
Total U.S. annuities in 2021 (up by 59% Y/Y)

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

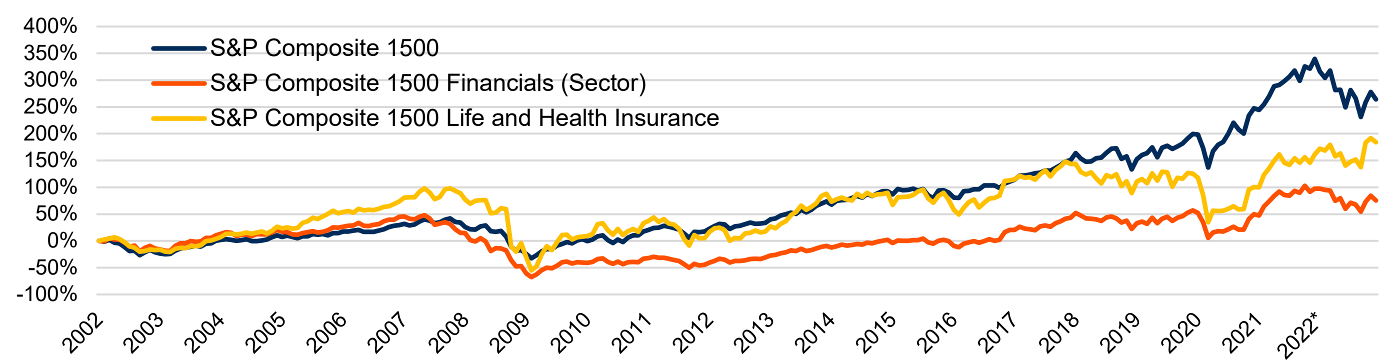
45%
Of life insurance industry premiums tied to annuities

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

$643.9 billion
Total premiums and deposits in LTM through Q3 2022

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

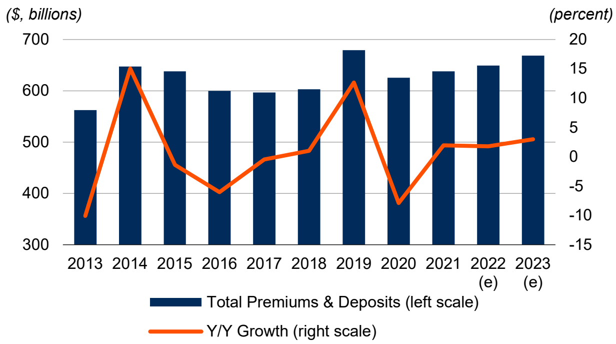
20-YEAR INDEX PERFORMANCE



*Data through December 8, 2022.
Source: CFRA, S&P Global Market Intelligence.

FINANCIAL METRICS

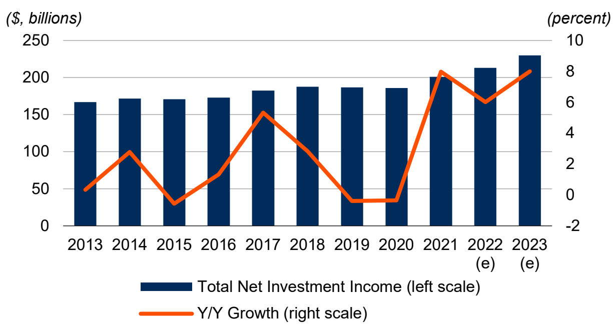
Premiums and Deposits



Source: CFRA, S&P Global Market Intelligence.

- CFRA expects life insurance premium growth trends to be more muted in 2022 and 2023, following a strong recovery in demand in 2021. We forecast life insurance premium growth of 2% to 3% in 2022 and 1% to 2% in 2023.
- 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.
- CFRA forecasts premium and deposit growth of under 2% in 2022, reflecting downward pressure on variable annuity deposits from weak equity markets. A rise in fixed annuity sales in 2023 amid a higher interest rate environment will help propel premiums and deposits up by 2% to 4% in 2023.

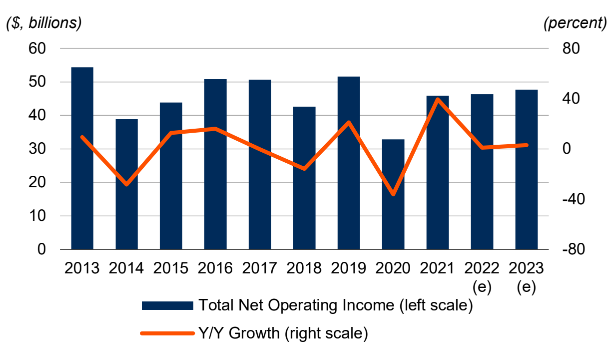
Net Investment Income



Source: CFRA, S&P Global Market Intelligence.

- Net investment income advanced by 8% in 2021, the largest rate of increase since 2018, reflecting a recovery in asset values and a modest rise in interest rates.
- CFRA expects net investment income growth of 6% to 8% in 2022 and 2023, as higher interest rates are partly offset by a slower rise in the value in invested assets.

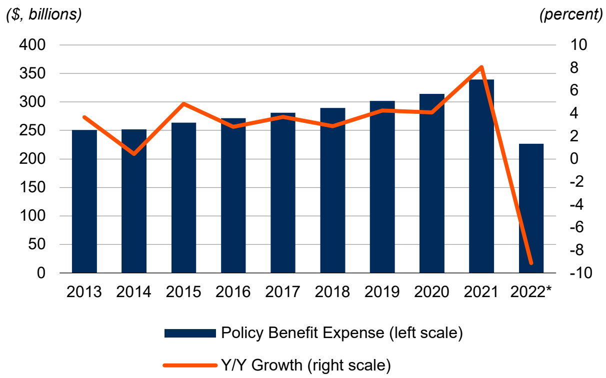
Net Operating Income



Source: CFRA, S&P Global Market Intelligence.

- Operating income surged 39.4% 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.
- Operating profitability in 2022 is predicated on surrender trends remaining stable and claim costs inflation moderating slightly. CFRA forecasts net operating income to grow 1% in 2022 and 3% in 2023.

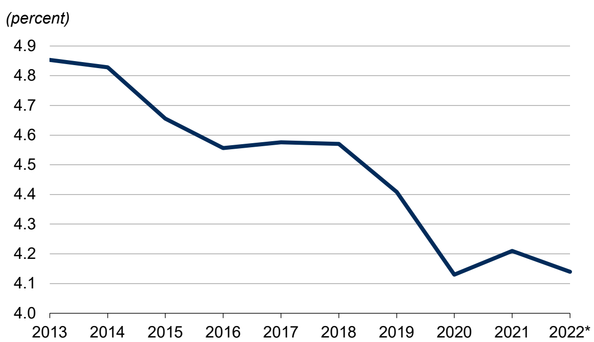
Policy Benefit Expense



*Data through Q3 2022.
Source: CFRA, 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 rose 8.1% in 2021 from 4.1% in 2020. This was primarily driven by Covid-19 claims across life businesses, partially offset by lower incidence in accidental death and dismemberment businesses. However, expenses declined 9.1% year-over-year in the first nine months of 2022.
- As Covid-19 claims and related expenses will likely tail off in 2022 driven by vaccination campaigns, we expect policy benefit expenses to abate in 2022.

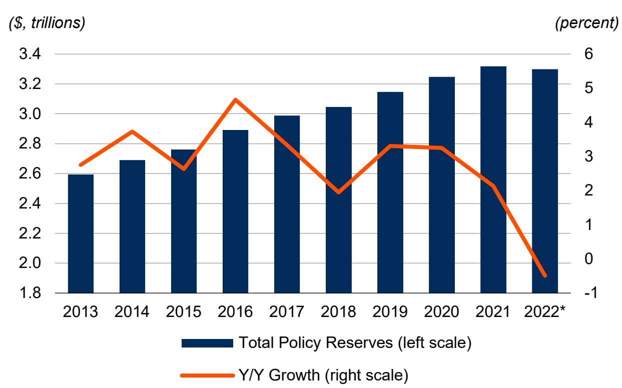
Yield on Invested Assets



*12 months through Q3 2022.
Source: CFRA, S&P Global Market Intelligence.

- The net yield on invested assets for the life insurance industry has been declining steadily since 2010. In 2021, the net yield on invested assets was 4.2%, slightly higher than the 4.1% earned in 2020 and significantly lower than the 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



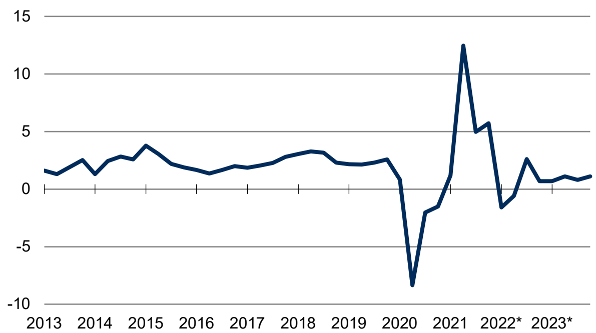
*Data through Q3 2022.
Source: CFRA, S&P Global Market Intelligence.

- In 2021, total policy reserves increased 2.1% to $3.3 trillion, compared to a 3.3% increase to $3.2 trillion in 2020. We expect reserve levels and rates of increase in 2022 and 2023 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)

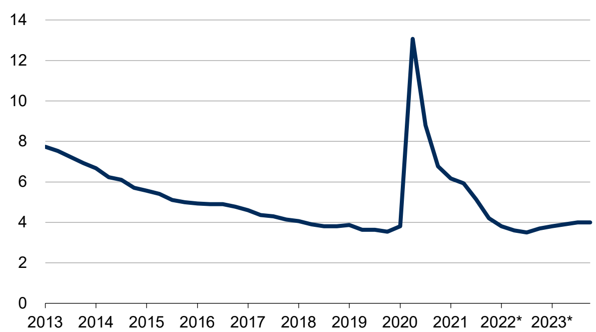


*Actual data through Q3 2022, projected data by Action Economics.
Source: Bureau of Economic Analysis, Action Economics.

- Action Economics projects GDP to grow by 1.9% in 2022 and 0.9% in 2023.
- The Fed has a slightly differentstance, with its projected median GDP growth of 0.2% in 2022 and 1.2% in 2023.
- 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 Q2 2022, projected data by Action Economics.
Source: U.S. Bureau of Labor Statistics, Action Economics.

- Action Economics projects U.S. unemployment rate of 3.7% in 2022 and 3.9 in 2023.
- The Fed expects median unemployment rate of 3.8% for 2022 and 4.4% in 2023.
- We expect sales of traditional insurance products to recover in 2022 amid a still relatively healthy labor market driving demand for health insurance products. However, 2023 may prove more challenging if labor market conditions deteriorate significantly.

U.S. Inflation Rates (CPI)

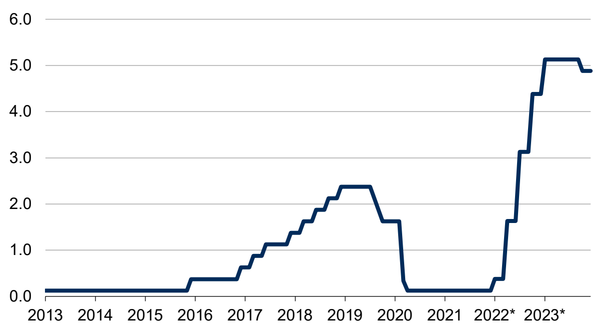
(percent)

*Actual data through November 2022, projected data by Action Economics.
Source: U.S. Bureau of Labor Statistics, Action Economics.

- The inflation rate in the U.S. surged to 9.1% in June 2022, the highest since November 1990. Inflation has continued to rise through November 2022, albeit at a lower rate. Upward pressure came from supply chain issues such as food and labor shortages, as well as a surge in fuel prices.
- Action Economics projects the U.S. inflation rate to rise to 8.1% in 2022 (from 4.7% in 2021) before falling to 4.1% in 2023.
- 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 rise to 5.4% in 2022 (from 4.2% in 2021) and 2.8% in 2023.

U.S. Interest Rates

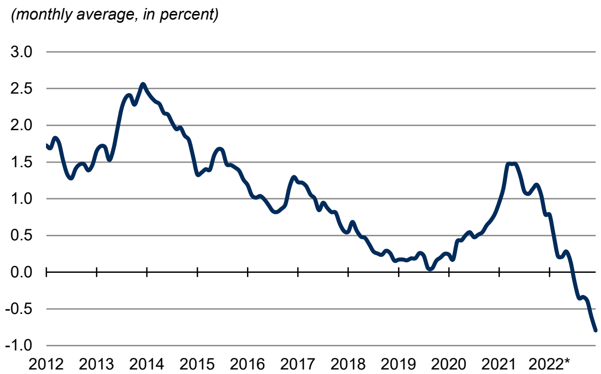
(target midpoint, percent)



*Actual data through September 2022, 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 January 2023 before lowering it in the second half of 2023. This is the highest yearly increase in over a decade. Action Economics projects the fed funds rate target midpoint to increase to 1.90% in 2022 and to continue to rise to 5.02% in 2023.
- 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.

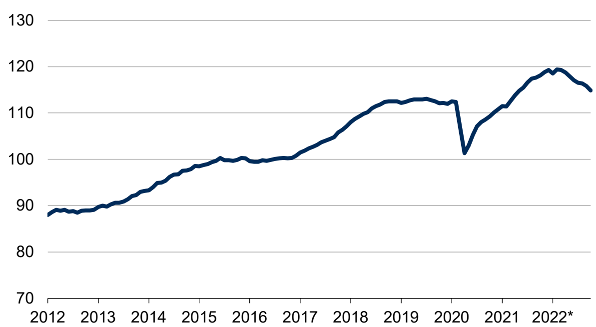
Yield Spread: 10-Year and 2-Year T-Notes



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

- A flattening yield curve from 2014 to 2019 had dampened investor sentiment toward the financial sector. However, we note that the yield curve has been inverted in the latter half of 2022 as the expectation of aggressive monetary policy tightening by the Federal Reserve was anticipated to tame rising inflation.
- Action Economics forecasts a yield spread of 0.01 percentage points (ppts) in 2022 and 0.39 ppts in 2023.
- 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.
- An inverted yield curve is often viewed as an indicator of an incoming recession.

Leading Economic Index (LEI)



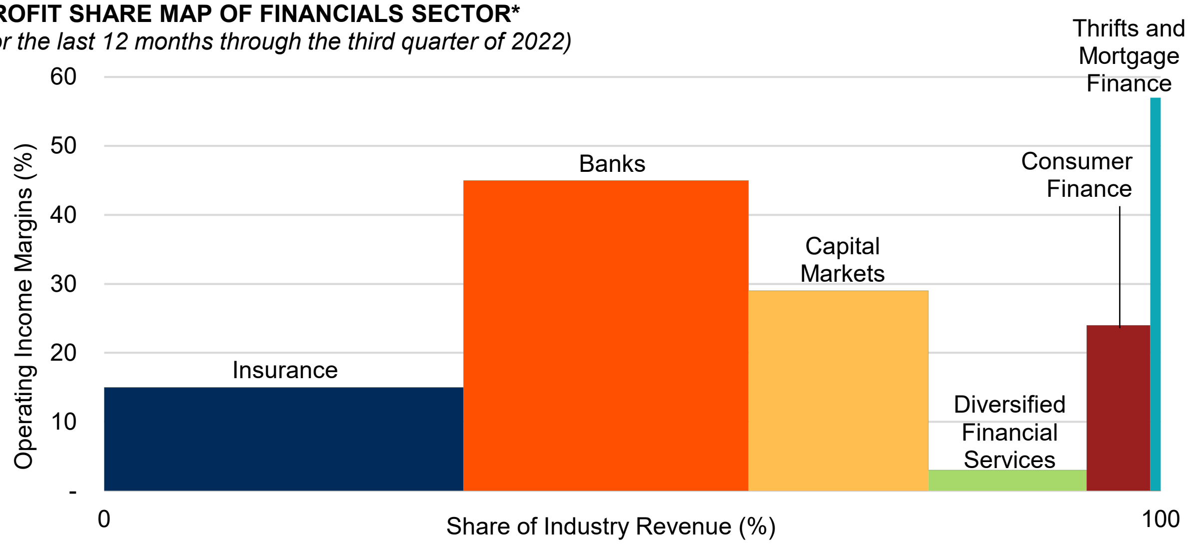
*Data through October.
Source: U.S. Conference Board.

- 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 October 2022 at 114.9, a 0.8% drop and the eighth consecutive month of decline. The deterioration should continue well into 2023. 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 third quarter of 2022)



*Companies within the S&P Composite 1500 Index as of December 8, 2022.
Source: CFRA, Company Reports.

The Insurance industry is the largest industry in terms of revenue within the Financials sector while having the second-lowest operating margin as of the last 12 months through the third quarter of 2022. 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 ~10%, while Multi-line Insurance has an operating margin of ~11%. 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 third quarter of 2022)

*Companies within the S&P Composite 1500 Index as of December 8, 2022.
Source: CFRA, Company Reports.

Operating Environment

Life Insurers Enter 2023 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 so far 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 with consumers' budgets, while the attendant sell-off in equity markets is hurting their investment accounts. While employment levels remained very high as of late 2022, 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 $7.9 trillion as of June 30, 2022, down 3.5% 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' 2021 Financial Results Benefited from a Post-Pandemic Recovery

Total revenues for the life insurance segment rose by 7.5%, year-over-year, in the 12 months ended December 31, 2021, based on aggregate data from S&P Global Market Intelligence. The recovery in top line results was driven primarily by an 11.5% rise in life insurance premiums, an 8% growth in investment income, and a 3.4% uptick in accident and health insurance premiums, partly offset by a 3.0% drop in annuity premiums during 2021. Taken together, total premiums accounted for about 68% of revenues, and advanced by 2.2% in 2021. Net investment accounted for about 21% of total revenues in 2021, while other revenues, including separate account revenues, constituted the remaining 11% of revenues in 2021.

Margins benefited from expense growth that was limited to 6.1% in 2021, as an 8.1% rise in benefit costs and 12.1% higher surrender costs were offset by an 18% decline in reserve costs and a well-contained 3.6% rise in general and administrative expenses. Because benefit and surrender costs are typically the two largest expense items for a life insurer, a change in the direction of these expenses can have a significant impact on profitability. To put the 2021 8.1% rise in benefit costs in perspective, benefit costs have risen at a compound annual growth rate (CAGR) of 3.1% over the last 10 years (2021-2020). Surrender costs have risen at a 10-year CAGR of 4.1%, and reserves have increased at a 10-year CAGR of 1.3%. CFRA expects claim cost trends in 2022 and 2023 to begin to improve from 2021 levels, but to remain elevated relative to historical averages. If reserve levels revert to mean levels, there could be some additional downward pressure on margins. However, life insurers reported a rebound in profitability in 2021, posting a net operating profit of $45.8 billion, up 39% from operating profits of $32.9 billion in 2020. Following investment losses of $8.3 billion in 2021 versus losses of $10.7 billion in 2020, life insurers' net income rose to $37.5 billion in 2021, up 69% from $22.2 billion in 2020.

Financial Results in 2022 Highlight a Number of Challenges

After posting a record-setting 7.5% rise in operating revenues in 2021 (paced by nearly 12% growth in life insurance premiums), life insurers have faced a more challenging operating environment so far in 2022. Total revenues advanced by only 1.6%, year-over-year, in the six months ended June 30, 2022, based on the latest available information from S&P Global Market Intelligence. Premiums and deposits (which account for more than 70% of operating revenues) fell by 2.2%, year-over-year, in the six months ended June 30, 2022 (to $339.6 billion from $347.1 billion). We attribute this weak showing to tougher year-over-year life insurance premium comparisons after robust sales in 2021. Annuity activity was also hampered by weak variable annuity top line results and an equity market correction, partly offset by an uptick in fixed annuity sales amid a rising interest rate environment. The rise in interest rates helped to propel net investment income (accounting for about 20% of revenues) up by 6.2%, to $99.8 billion in the first half of 2022, up from $93.9 billion a year ago. Other revenues (which account for about 10% of total revenues) rose 42%, year-over-year, in the first half of 2022, though we do not view this rate of growth (driven by company-specific events) as a long-term run rate.

Operating margins for most life insurers compressed in the first half of 2022, as expenses rose 3.7%, year-over-year (to $436.6 billion from $421.1 billion), despite a 2.3% decline in the industry's largest expense item – policyholder benefits. The main culprit behind the higher expense levels in the first half of 2022 was a 13.5% rise in loss reserves (to $49.7 billion from $43.8 billion) and 6.3% higher commission expenses. Taken together, these two-line items account for nearly 20% of total costs, so a change in the direction of either will have an impact on bottom line results. As a result, pretax profits fell by 26%, to $24.9 billion in the 2022 interim, from $33.8 billion a year ago. A lower average tax rate (of 14.2% in 2022 versus 17.5% in 2021) helped stem the decline in first-half 2022 after-tax operating profits to 23%, or $21.4 billion, versus $279 billion in the first half of 2021.

TOP 10 WRITERS OF ORDINARY LIFE INSURANCE

(Ranked by 2021 direct premiums written, in $, billions)

RANK NO.	COMPANY NAME	PREMIUMS	MARKET SHARE (%)
1	Northwestern Mutual	14.3	7.5
2	New York Life Insurance	13.3	7.0
3	MetLife	11.5	6.0
4	Prudential	10.6	5.6
5	Mass Mutual	10.1	5.3
6	Lincoln Financial	8.3	4.4
7	John Hancock	5.3	2.8
8	TransAmerica (AEGON)	5.0	2.7
9	Securian Financial	5.0	2.6
10	Guardian Life	4.8	2.5

Source: Insurance Information Institute.

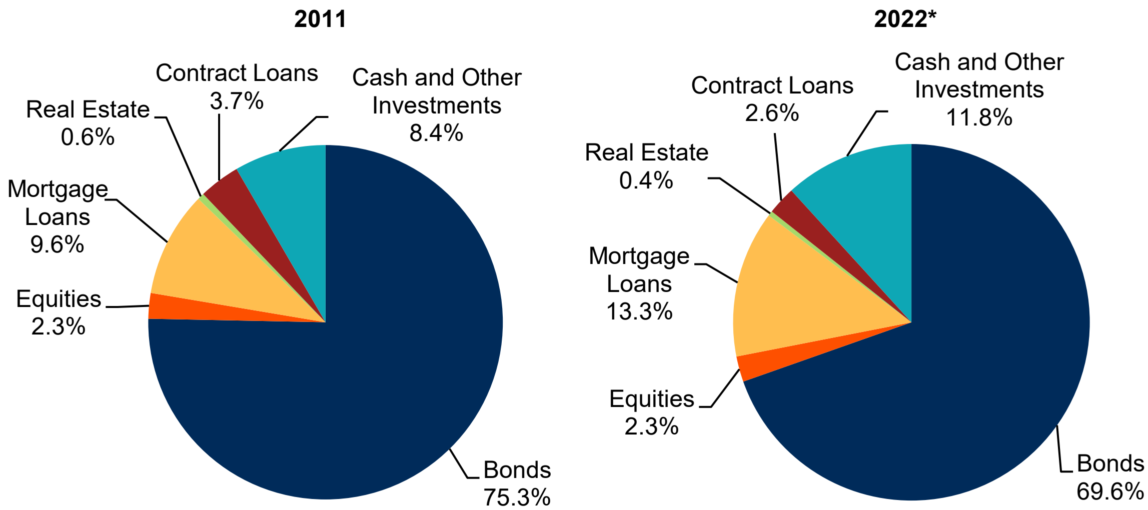
Life insurance in force in the U.S. at year-end 2021 topped $56.3 trillion, up from nearly $54.9 trillion at year-end 2020, based on data from S&P Global Market Intelligence. The value of life insurance in force has grown at a CAGR of 2.76% over the last 10 years, from 2011 to 2021. Individual or “ordinary” life insurance accounted for $35.5 trillion, or 62% of the in-force block of business at year-end 2021. Group life accounted for $20.7 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 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 1.83%. Group insurance accounts for a smaller percentage of overall coverage, but growth here has been much more rapid, with a 10-year CAGR of 4.7%, 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 2011 and 2021, life insurers grew their mortgage portfolios at a CAGR of 7.01%, nearly double the 3.8% CAGR of invested assets. As a result of that shift, mortgage loans accounted for 13.4% of invested assets at year-end 2021, up from 9.9% at year-end 2011. That trend continued through the first half of 2022, with mortgage loans accounting for 13.3% of total invested assets, while derivatives constituted just under 2% of invested assets.

LIFE INSURANCE INDUSTRY MIX OF INVESTED ASSETS



*Last 12 months through Q3.
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, 2022 and 2023 will likely end up being a transitional period for many annuity writers, as rising interest rates as well as weak 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 2022 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 may 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 and 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.

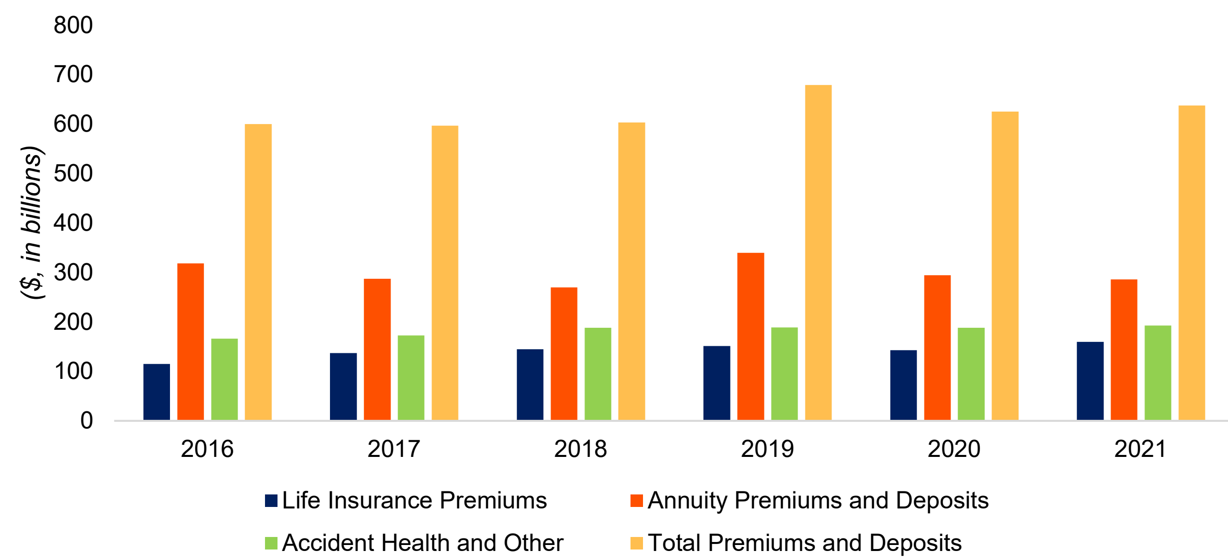
◆ **Intensity of competitive rivalry (High).** The industry is highly competitive as many large insurers generally offer similar products and are aggressively competing against one another to gain market share. Over the years, the characteristics of insurance products is shaping into more commodity-like 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 2022 After a Rebound in 2021
Life 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 is being 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 as of mid-2022, growth in premiums will likely be more muted amid a tougher economic climate and the pressure on consumers' wallets from higher food, shelter, and energy costs. Consequently, CFRA forecasts life insurance premium growth of 2% to 3% in 2022 and a 1% to 2% rise in 2023.

The modest rise in top line growth we are forecasting in 2022 and 2023 belies a number of strategic shifts currently underway in the life insurance and annuity market that could be profound, longer term.

After years of existing as a strategic afterthought, traditional life insurance is poised to gain prominence as a source of growth and diversification for various insurers, particularly after many have reduced their exposure to annuities and long-term care insurance. 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

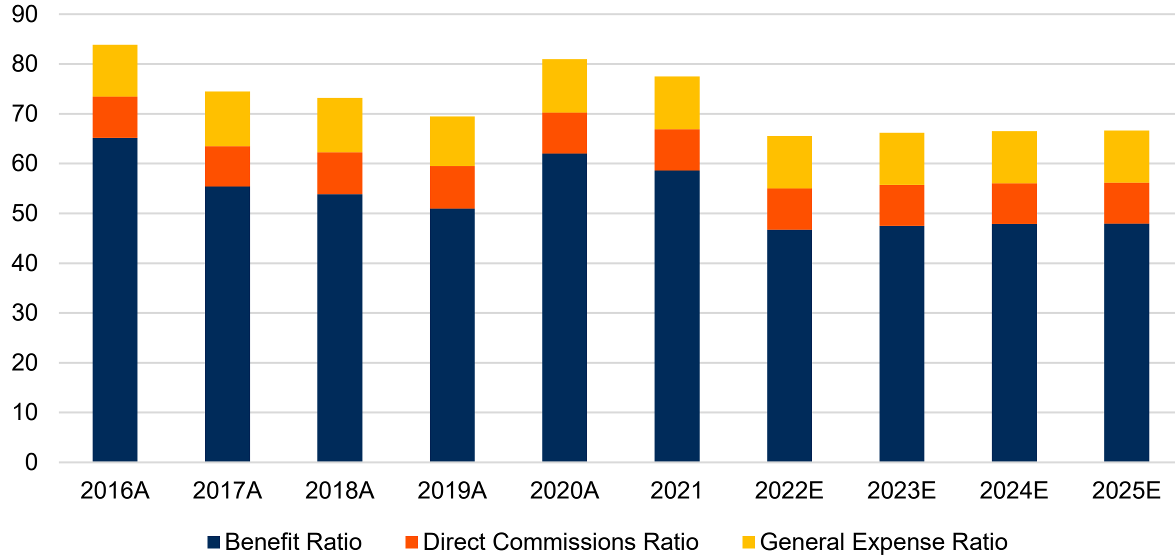


Source: CFRA Research, S&P Global Markets Intelligence.

'Excess Mortality' Will Likely Recede by 2022
CFRA forecasts that underwriting results will improve from the pandemic-induced peak in 2020, when an elevated number of death claims pushed the industry's benefit ratio (equal to death and other policy benefits as a percentage of premiums) up more than 21%, to 62.02% from 50.98% in 2019, versus a 10-year average of around 43%. We expect profitability in 2022 and beyond to be aided by a drop in the benefit ratio to around 47% over the next few years, assuming there is not another pandemic surge.

UNDERWRITING RATIOS 2016-2025

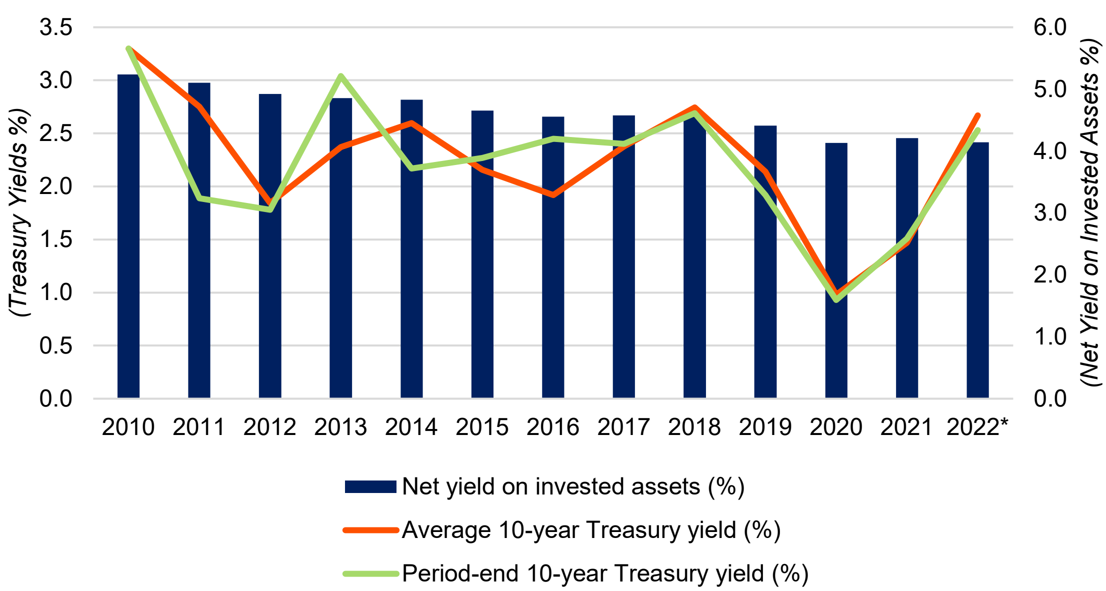
(ratio)



Note: General expense ratio is for entire life insurance industry.
Source: CFRA research, S&P Global Markets Intelligence.

An easing of interest rate pressures will enhance the improved underwriting outlook. U.S. Treasury yields bottomed in 2020 and are poised to continue their upward trajectory in 2022. Because of the lag effect of changes in interest rates and reinvestment rates, we expect the average yield on invested assets to climb to 4.4% to 4.5% in 2022 and to 4.6% to 4.7% in 2023, up from 4.21% in 2021.

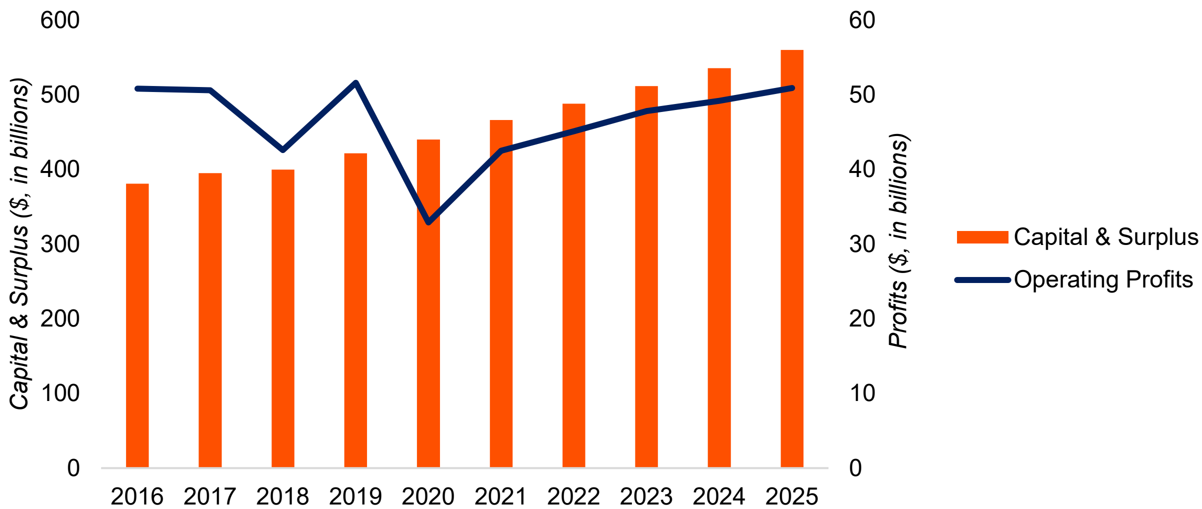
LIFE INSURERS' YIELD ON INVESTED ASSETS VERSUS TREASURY YIELDS



*Data through Q3.
Source: S&P Global Markets Intelligence.

2022 Expected to be a Transitional Year for Most Life Insurers, Both Financially and Strategically
For many, strong top line growth in 2021 and a rise in interest rates provide a decent (albeit moderating) revenue base for 2022, assuming policy retention rates don't decline precipitously. Mortality claim trends will likely still be impacted by Covid-19 related claims in 2022, but should soon begin to moderate. Strategically, many insurers have shed their capital-intensive annuity segments in favor of traditional life, accident, and health insurance products, while the new owners of the jettisoned annuity books of business (including many private equity firms) will likely be focused on integrating and consolidating their newly acquired businesses and leveraging growth opportunities. Many publicly traded insurers have excess capital that has been returned to shareholders in the form of stock buybacks, a trend that we see continuing.

LIFE INDUSTRY PROFITABILITY AND CAPITAL LEVELS



Source: CFRA Research, S&P Global Markets Intelligence.

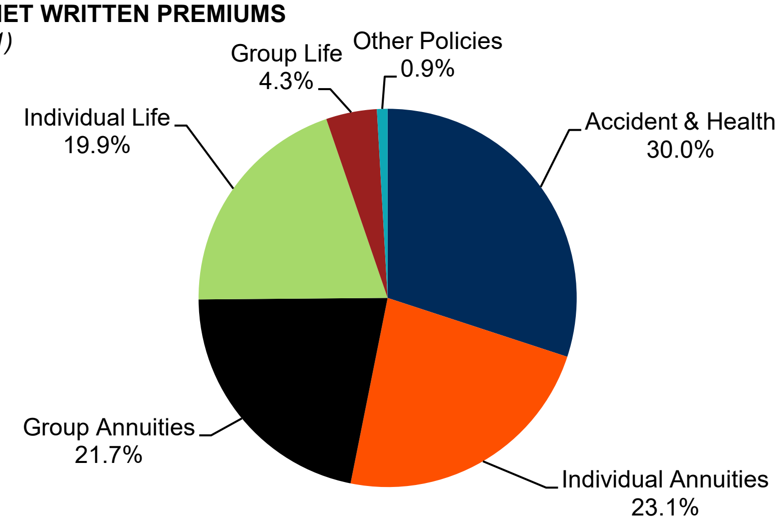
Annuity Sales Gains in 2022 Were Paced by Strong Fixed Annuity Demand, But Growth in 2023 Will Moderate
Despite some near-term regulatory uncertainty and several restructuring actions over the last 12-18 months that resulted in many insurers scaling back or even jettisoning their annuity businesses, annuities remain a significant line of business for the life insurance industry, as they represent nearly half of the industry's premium base. A recovery in economic and market conditions, coupled with the SECURE Act's inclusion of annuities as an investment option inside 401(k) plans, helped drive a 16% rise in total annuity sales in 2021 (to $254.6 billion, up from $219 billion in 2020), in line with our forecast of 14% to 17% sales growth for the year. Results so far in 2022 represented a sea change from the trends that drove growth in 2021, reflecting rising interest rates and an equity market correction. Based on the latest available data from the LIMRA Secure Retirement Institute (an industry trade organization), for the first nine months of 2022, total U.S. annuity sales rose 17%, year-over-year, to $223.4 billion in 2022 from $191.7 billion in the first nine months of 2021.

Variable annuities produced the strongest overall annuity sales growth in 2021, with an increase of 27%, reflecting 16% growth in traditional variable annuities sales (to $86.6 billion versus $74.5 billion), while registered index-linked variable annuities posted a 62% surge in sales in 2021, to $39 billion from $24.1 billion in 2020. Fixed annuity sales growth in 2021 was more modest, up 7% for the year, driven mainly by a 15% rise in indexed annuities and 14% higher sales of deferred income annuities, partly offset by a mere 2% rise in sales of fixed rate deferred annuities and a 13% drop in sales of structured settlement annuities.

CFRA expects annuity sales to be more modest in 2022, as weak and volatile equity market conditions dampen demand for variable annuities and higher interest rates lead consumers to wait for credited interest rates on fixed annuity products to catch up with higher prevailing interest rates. Nine-month 2022 sales trends reflect this. Total U.S. annuity sales growth was 17%, year-over-year, in the first nine months of 2022, as a 46% rise in fixed annuity sales (to $143.3 billion from $98.4 billion) was partly offset by a 14% drop in variable annuity sales (to $80.1 billion from $93.3 billion).

We expect these trends to persist throughout 2022, and forecast total annuity sales growth of just under 10%, or around $279 billion. Embedded in this forecast is a 38% expected rise in fixed annuity sales (to around $179 billion) in 2022, and a forecasted decline in variable annuity sales of around 20% (to just over $100 billion). Our forecast for 2023 assumes total annuity sales growth of 11% (to an estimated $310 billion), driven by 5% expected growth in variable annuities (to around $105 billion) and a 15% rise in fixed annuities (to an estimated $205 billion). Our forecast assumes the Fed is able to engineer a “soft landing” and that the US. economy does not descend into a deep recession.

LIFE INSURANCE NET WRITTEN PREMIUMS
(for the full year 2021)



Source: S&P Global Market Intelligence.

INDIVIDUAL ANNUITY SALES TRENDS
(in $, billions)

TYPE OF ANNUITY	SALES Q3 2021	SALES Q3 2022	PERCENT CHANGE	YTD SALES 2021	YTD SALES 2022	PERCENT CHANGE
Variable - Traditional	21.3	14.1	*-33.8%*	64.9	49.1	*-24.3%*
Variable - Registered Index-Linked	9.3	10.6	*14.0%*	28.5	31.0	*8.8%*
Total Variable	**30.6**	**24.7**	***-19.3%***	**93.4**	**80.1**	***-14.2%***
Fixed-rate Deferred	11.5	30.0	*160.9%*	42.1	74.6	*77.2%*
Fixed - Indexed	17.1	31.5	*84.2%*	47.1	57.5	*22.1%*
Fixed - Deferred	0.5	0.5	*0.0%*	1.4	1.4	*0.0%*
Other Fixed	3.4	2.6	*-23.5%*	8.4	7.5	*-10.7%*
Total Fixed	**31.8**	**66.0**	***107.5%***	**98.4**	**143.3**	***45.6%***
Total Annuity Sales	**62.4**	**90.7**	***45.3%***	**191.8**	**223.4**	***16.5%***

Source: LIMRA Secure Retirement Institute.

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.)

Covid-19 Highlighted the Challenges of an Agent-Based Life Insurance Distribution Model
The current agent-based distribution model for selling individual life insurance still constitutes for the bulk of life insurance sales. Moreover, unlike other financial services intermediaries – including securities brokers – that have experienced downward pressure in commission rates, life insurance commission rates have generally remained stable. Life insurance agents typically earn 30% to 90% of the first year’s life premium in a commission, with annual commissions of 3% to 10% of renewal premiums. The “90/5” commission structure (90% upfront commission and 5% renewal) is a common one in the whole life marketplace. As a result, the insurance industry typically pays out around 7% of premiums in agent commissions (on a statutory basis), though some firms have a much costlier distribution model.

For consumers who have grown accustomed to mobility and transparency in most of their other financial services activities (like mobile banking and online stock trading), the notion of interacting with an agent representing one carrier (as is the norm in a captive agency system), then having to comparison shop via another agent, then trying to compare policies, is nothing short of frustrating and off-putting. Adding to consumers’ frustration is the lack of digital capabilities throughout the insurance value chain. Even at those carriers with robust online marketing capabilities, the underwriting process is laborious and antiquated. For insurance carriers, the agency system offers a degree of control, but attracting and retaining qualified agents is a challenge, particularly in a strong labor market. These commission-only roles also have the potential for sales abuses. Further, leveraging this channel is difficult, as these agents are usually not licensed to sell other products.

The challenges and limitations of an agent-based distribution model were amplified during the Covid-19 pandemic, when online transactions replaced most in-person transactions. This dynamic will likely accelerate the shift to a direct distribution model and further bifurcate life insurers. This dynamic is also emerging at a time when insurance penetrations rates are declining. By way of background, in 1960, 72% of the American population owned life insurance. By 2014, the insurance penetration rate was down to 44%. Demographic changes, including a lower birth rate and the rise of dual income couples, have dampened the demand for life insurance, since the need to protect against an unexpected death of the “breadwinner” has diminished**.**

Demographically, the U.S. is at an interesting inflection point. Millennials (aged 20 to 35) are now the largest segment of the population, though not the largest in number of households, since many of the younger members of this cohort are still living under their parents’ roofs or in a college setting. As this group ages and forms households, their need for insurance coverage will also increase. They, more than other generations, are more likely to purchase insurance through an app, not an agent.

Despite these pressures, traditional life insurance remains an important part of many insurers’ product mixes. Analyzing annual premium data we obtained from S&P Global Market Intelligence, we note that individual and group life insurance premiums totaled more than $185 billion in 2021, or about 24% of the life insurance industry’s written premium base. Individual and group annuities still dominate the industry’s business mix though and accounted for nearly 45% of written premiums in 2021. Accident and health and other assorted types of policies constituted the remaining 31% of industry-wide premiums. Annuities have historically been a growth vehicle for insurers, but regulatory uncertainty and the impact of a persistently low interest rate environment (which led insurers to reduce credited rates and benefit levels) have reversed this trajectory. Annuities are also capital intensive and volatile, so balancing a business mix with more stable life and health insurance policies is an integral part of most insurers’ strategies.

Though we would characterize most insurers as “digitally-delayed”, some positive trends are emerging. Within the current insurance distribution framework, we view positively those firms with an established worksite marketing plan (like MetLife). This strategy, under which individual policies are marketed to employees as part of their benefits plans, works well for the sale of simple policies, like term life. For more complex and high net worth insurance needs, we think a bank and broker distribution strategy (similar to what Prudential has employed) is an effective distribution model. Insurers utilizing both of these models essentially manufacture the insurance product and leave the distribution to others. This frees up resources that can be invested in digitalizing the underwriting and claims process, and also reduces an insurer’s regulatory burden. Because these models are already established, there is also less execution risk.

Finally, innovation doesn’t have to be destructive. The most innovative insurers are not likely those that cast aside their traditional distribution models, but enhance and tweak them, offering consumers information that is accessible in updated formats. By partnering with aggregation search and artificial intelligence entities (like those offered by Google and Amazon), insurers are able to enhance the customer shopping and product selection experience. Life insurers would also be wise to mimic the changes other financial services firms have implemented in response to digital disruption. While these steps will enhance most insurers acceptability in an updated marketplace, they may also increase competition among firms, and inject a Darwinian thinning of the ranks, as the facile, stronger insurers succeed, while the weaker one’s struggle.

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, eight life insurance deals worth $160 million were announced, year-to-date through November 15, 2022. This compares to 25 life insurance deals valued at just over $16 billion that were announced in 2021, up from 15 life insurance deals valued at $3.7 billion that were announced in 2020. For the broader insurance industry (consisting of life, health, and property-casualty underwriters), deal making volume declined so far in 2022, to 37 delas valued at just over $12.8 billion, year-to-date through November 15, 2022, down from 78 deals worth $50.2 billion announced in 2021 and 85 deals valued at $18.6 billion announced in 2020.

These statistics belie a trend emerging in the broader insurance industry that CFRA believes will fuel an elevated level of deal activity over the coming several years. Specifically, a significant strategic shift is underway 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 are shedding non-core life and annuity lines of business and transitioning 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.

Regulatory and Legislative Update

A Looming Accounting Change Will Impact Insurers' Long-Term Obligations

The Financial Accounting Standards Board (FASB) is sued ASU 2018-12, otherwise known as Targeted Improvements to the Accounting for Long Duration Contracts, in August 2018, with an implementation date that was extended in June 2020 to 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 writeoffs 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 vlue 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 Act 2.0' Remains an Unfinished Piece of Legislation

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 Enhance (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.

Now, in the wake of that legislation, there are proposals that passed in the House in late March 2022, aimed at tweaking some elements of the SECURE Act to widen its appeal and address the ongoing pressures retirement savers are facing, particularly in the aftermath of the Covid-19 pandemic. While the Senate version of the bill was introduced in May 2021 and remains in the Senate Finance Committee, there is fairly broad-based bipartisan support for this initiative and sponsors of the bill in both the House and Senate are optimistic that this will be passed in 2022, though as of mid-November 2022 that has not occurred.

The SECURE Act raises the age requirement for required minimum distributions (RMDs) from retirement accounts from the current age of 70.5 years to 72 years. “SECURE 2.0” proposes gradually raising that age requirement to 75. 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. So, too, has a proposal to allow greater catch-up contributions for older workers, to $10,000 for those over 62 (up from the current $6,500). The original SECURE Act also allows 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 is offering 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 firms' 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 $3.74 trillion as of year-end 2021, up 3.3% from $3.62 trillion at year-end 2020, based on data from SNL Financial. At the end of 2021, life insurance net policy reserves equaled $3.1 trillion (82% of total reserves), while accident and health net policy reserves stood at $252.9 billion (7% of total reserves), and reserves for deposit-type contract equaled $422.5 billion (11%). Capital and surplus of life insurers at end-2021 totaled $477.4 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! *Earnings inflation or smoothing; misleading comparison to peers that do not utilize finite reinsurance; 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 2021 averaged 8.15%, up from 5.35% in 2020.

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—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 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 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 risk-based capital (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 healthcare 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
The *OneSumX NILS Glossary* is 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
Nonprofit, industry-supported organization that provides information about the insurance industry.

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

LIMRA
limra.com
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 insurer 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
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 $ 2021	2020	2019	2018	2017	2016	2015	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2014=100) 2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																		
AFL	[] AFLAC INCORPORATED	DEC	22,106.0	22,147.0	22,307.0	21,758.0	21,667.0	22,559.0	20,918.0	-0.1	-0.4	-0.2	106	106	107	104	104	108
AEL	§ AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	3,689.5	2,426.7	3,467.4	1,546.2	3,910.2	2,220.8	1,521.3	11.5	10.7	52.0	243	160	228	102	257	146
BHF	† BRIGHTHOUSE FINANCIAL, INC.	DEC	7,137.0	8,498.0	6,520.0	8,864.0	6,839.0	2,982.0	8,889.0	NA	19.1	-16.0	80	96	73	100	77	34
CNO	† CNO FINANCIAL GROUP, INC.	DEC	4,122.2	3,821.1	4,015.8	4,313.5	4,297.2	3,985.1	3,811.9	0.0	0.7	7.9	108	100	105	113	113	105
GNW	† GENWORTH FINANCIAL, INC.	DEC	7,832.0	8,284.0	7,705.0	7,901.0	7,513.0	8,369.0	8,548.0	-2.3	-1.3	-5.5	92	97	90	92	88	98
GL	[] GLOBE LIFE INC.	DEC	5,112.9	4,737.9	4,527.5	4,303.8	4,155.6	3,934.6	3,766.1	4.2	5.4	7.9	136	126	120	114	110	104
LNC	[] LINCOLN NATIONAL CORPORATION	DEC	19,230.0	17,439.0	17,258.0	16,424.0	14,257.0	13,330.0	13,572.0	6.1	7.6	10.3	142	128	127	121	105	98
MET	[] METLIFE, INC.	DEC	71,080.0	67,842.0	69,620.0	67,941.0	62,308.0	60,732.0	61,257.0	0.1	3.2	4.8	116	111	114	111	102	99
PRI	† PRIMERICA, INC.	DEC	2,771.9	2,275.0	2,100.8	1,937.3	1,716.0	1,538.0	1,417.2	9.7	12.5	21.8	196	161	148	137	121	109
PFG	[] PRINCIPAL FINANCIAL GROUP, INC.	DEC	14,262.7	14,741.7	16,222.1	14,237.2	14,093.2	12,394.1	11,964.4	5.1	2.8	-3.2	119	123	136	119	118	104
PRU	[] PRUDENTIAL FINANCIAL, INC.	DEC	70,871.0	57,091.0	64,807.0	62,992.0	59,802.0	58,944.0	58,378.0	3.7	3.8	24.1	121	98	111	108	102	101
TRUP	§ TRUPANION, INC.	DEC	699.0	502.0	383.9	304.0	243.7	188.2	147.0	34.1	30.0	39.2	476	342	261	207	166	128
UNM	[] UNUM GROUP	DEC	12,013.8	13,162.1	11,998.9	11,598.5	11,286.8	11,046.5	10,731.3	1.6	1.7	-8.7	112	123	112	108	105	103
MULTI-LINE INSURANCE																		
AFG	† AMERICAN FINANCIAL GROUP, INC.	DEC	6,393.0	5,579.0	5,974.0	6,939.0	6,684.0	6,345.0	6,194.0	3.4	0.2	14.6	103	90	96	112	108	102
AIG	[] AMERICAN INTERNATIONAL GROUP, INC.	DEC	52,049.0	43,337.0	49,517.0	47,590.0	49,448.0	51,209.0	58,239.0	-2.2	0.3	20.1	89	74	85	82	85	88
AIZ	[] ASSURANT, INC.	DEC	10,187.6	9,589.6	9,406.1	8,000.7	6,415.0	7,502.2	10,308.7	2.1	6.3	6.2	99	93	91	78	62	73
HMN	§ HORACE MANN EDUCATORS CORPORATION	DEC	1,330.1	1,310.4	1,430.5	1,191.6	1,171.6	1,128.9	1,080.4	2.9	3.3	1.5	123	121	132	110	108	104
HIG	[] THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	22,349.0	20,494.0	20,736.0	18,925.0	17,125.0	16,254.0	15,966.0	0.3	6.6	9.1	140	128	130	119	107	102

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	2021	2020	2019	2018	2017	2016	2015	10-Yr.	5-Yr.	1-Yr.	2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																		
AFL	[] AFLAC INCORPORATED	DEC	4,325.0	4,778.0	3,304.0	2,920.0	4,604.0	2,659.0	2,533.0	8.4	10.2	-9.5	171	189	130	115	182	105
AEL	§ AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	474.0	671.5	246.1	458.0	174.6	83.2	219.8	18.6	41.6	-29.4	216	305	112	208	79	38
BHF	† BRIGHTHOUSE FINANCIAL, INC.	DEC	-108.0	-1,061.0	-740.0	865.0	-378.0	-2,939.0	1,119.0	NA	-48.4	-89.8	-10	-95	-66	77	-34	-263
CNO	† CNO FINANCIAL GROUP, INC.	DEC	441.0	301.8	409.4	-315.0	175.6	358.2	270.7	2.8	4.2	46.1	163	111	151	-116	65	132
GNW	† GENWORTH FINANCIAL, INC.	DEC	904.0	178.0	343.0	119.0	817.0	-277.0	-615.0	37.3	NM	407.9	-147	-29	-56	-19	-133	45
GL	[] GLOBE LIFE INC.	DEC	745.0	731.8	760.8	701.5	1,454.5	549.8	527.1	4.1	6.3	1.8	141	139	144	133	276	104
LNC	[] LINCOLN NATIONAL CORPORATION	DEC	1,405.0	499.0	886.0	1,641.0	2,079.0	1,192.0	1,154.0	20.3	3.3	181.6	122	43	77	142	180	103
MET	[] METLIFE, INC.	DEC	6,554.0	5,407.0	5,899.0	5,123.0	4,010.0	850.0	5,373.0	0.2	50.5	21.2	122	101	110	95	75	16
PRI	† PRIMERICA, INC.	DEC	373.4	386.2	366.4	324.1	350.3	219.4	189.9	9.0	11.2	-3.3	197	203	193	171	184	116
PFG	[] PRINCIPAL FINANCIAL GROUP, INC.	DEC	1,710.6	1,395.8	1,394.2	1,546.5	2,310.4	1,316.5	1,234.0	10.4	5.4	22.6	139	113	113	125	187	107
PRU	[] PRUDENTIAL FINANCIAL, INC.	DEC	7,724.0	-374.0	4,186.0	4,074.0	7,863.0	4,368.0	5,642.0	7.8	12.1	NM	137	-7	74	72	139	77
TRUP	§ TRUPANION, INC.	DEC	-35.5	-5.8	-1.8	-0.9	-1.5	-6.9	-17.2	24.7	38.8	508.4	207	34	11	5	9	40
UNM	[] UNUM GROUP	DEC	824.2	793.0	1,100.3	523.4	994.2	931.4	867.1	11.2	-2.4	3.9	95	91	127	60	115	107
MULTI-LINE INSURANCE																		
AFG	† AMERICAN FINANCIAL GROUP, INC.	DEC	1,995.0	732.0	897.0	530.0	475.0	649.0	352.0	19.3	25.2	172.5	567	208	255	151	135	184
AIG	[] AMERICAN INTERNATIONAL GROUP, INC.	DEC	9,388.0	-5,944.0	3,348.0	-6.0	-6,084.0	-849.0	2,196.0	-7.6	NM	NM	428	-271	152	0	-277	-39
AIZ	[] ASSURANT, INC.	DEC	1,372.4	441.8	382.6	251.0	519.6	565.4	141.6	9.8	19.4	210.6	969	312	270	177	367	399
HMN	§ HORACE MANN EDUCATORS CORPORATION	DEC	142.8	133.3	184.4	18.3	169.5	83.8	93.5	7.3	11.3	7.1	153	143	197	20	181	90
HIG	[] THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	2,365.0	1,737.0	2,085.0	1,807.0	-3,131.0	896.0	1,682.0	12.8	21.4	36.2	141	103	124	107	-186	53

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	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016	2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																					
AFL	[]	AFLAC INCORPORATED	DEC	19.6	21.6	14.8	13.4	21.2	11.8	2.7	2.9	2.2	2.1	3.4	2.0	12.9	15.3	12.6	12.2	20.4	13.9
AEL	§	AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	12.8	27.7	7.1	29.6	4.5	3.7	0.6	0.9	0.4	0.7	0.3	0.1	7.5	12.3	7.1	17.5	6.8	3.9
BHF	†	BRIGHTHOUSE FINANCIAL, INC.	DEC	NM	NM	NM	9.8	NM	NM	NM	NM	NM	0.4	NM	NM	NM	NM	NM	6.0	NM	NM
CNO	†	CNO FINANCIAL GROUP, INC.	DEC	10.7	7.9	10.2	NM	4.1	9.0	1.2	0.9	1.2	NM	0.5	1.1	8.2	5.9	10.2	NM	3.8	8.3
GNW	†	GENWORTH FINANCIAL, INC.	DEC	11.5	2.1	4.5	1.5	10.9	NM	0.9	0.2	0.3	0.1	0.8	NM	5.7	4.6	2.7	0.5	3.6	NM
GL	[]	GLOBE LIFE INC.	DEC	14.6	15.4	16.8	16.3	35.0	14.0	2.5	2.5	2.9	3.0	6.2	2.6	8.6	9.1	12.0	12.0	27.0	12.5
LNC	[]	LINCOLN NATIONAL CORPORATION	DEC	7.3	2.9	5.1	10.0	14.6	8.9	0.4	0.1	0.3	0.6	0.7	0.5	6.5	2.4	5.2	10.4	13.1	8.5
MET	[]	METLIFE, INC.	DEC	9.2	8.0	8.5	7.5	6.4	1.4	0.9	0.7	0.8	0.7	0.6	0.1	9.2	7.7	9.9	9.2	7.9	5.3
PRI	†	PRIMERICA, INC.	DEC	13.5	17.0	17.4	16.7	20.4	14.3	2.3	2.6	2.7	2.6	2.8	1.9	19.0	22.1	23.5	22.5	26.5	18.5
PFG	[]	PRINCIPAL FINANCIAL GROUP, INC.	DEC	12.0	9.5	8.6	10.9	16.4	10.6	0.6	0.5	0.5	0.6	0.9	0.6	10.5	9.0	10.8	12.5	19.9	13.7
PRU	[]	PRUDENTIAL FINANCIAL, INC.	DEC	10.9	NM	6.5	6.5	13.1	7.4	0.8	NM	0.5	0.5	0.9	0.6	11.9	NM	7.5	7.9	15.9	10.0
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	6.9	6.0	9.2	4.5	8.8	8.4	1.2	1.1	1.6	0.8	1.6	1.5	7.4	7.6	11.8	5.8	10.7	10.6
MULTI-LINE INSURANCE																					
AFG	†	AMERICAN FINANCIAL GROUP, INC.	DEC	31.2	13.1	15.0	7.6	7.1	10.2	6.9	1.0	1.3	0.8	0.8	1.2	18.3	4.8	8.7	10.0	9.3	13.8
AIG	[]	AMERICAN INTERNATIONAL GROUP, INC.	DEC	18.0	NM	6.8	NM	NM	NM	1.6	NM	0.6	NM	NM	NM	14.6	NM	6.6	0.2	NM	NM
AIZ	[]	ASSURANT, INC.	DEC	13.5	4.6	4.1	3.1	8.1	7.5	4.0	1.0	0.9	0.6	1.6	1.9	10.7	8.9	5.7	5.4	12.4	13.1
HMN	§	HORACE MANN EDUCATORS CORPORATION	DEC	10.7	10.2	12.9	1.5	14.5	7.4	1.0	1.0	1.5	0.2	1.5	0.8	7.9	7.9	12.9	1.3	12.1	6.5
HIG	[]	THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	10.6	8.5	10.1	9.5	NM	5.5	3.1	2.3	2.9	2.9	NM	0.4	13.0	10.0	14.2	11.2	NM	3.5

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.

Ticker	Company	Yr. End	Current Ratio 2021	2020	2019	2018	2017	2016	Debt/Capital Ratio (%) 2021	2020	2019	2018	2017	2016	Debt as a % of Net Working Capital 2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																				
AFL	[] AFLAC INCORPORATED	DEC	0.7	0.6	0.5	0.5	0.4	0.4	24.3	21.1	22.7	23.3	19.7	20.7	NM	NM	-93.3	-89.0	-60.2	-47.1
AEL	§ AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	0.7	1.1	0.4	0.1	0.3	0.3	8.3	8.3	12.5	27.0	20.6	24.4	-18.6	43.3	-8.6	-11.0	-10.1	-13.0
BHF	† BRIGHTHOUSE FINANCIAL, INC.	DEC	1.6	1.9	2.1	2.3	2.1	1.8	48.7	40.4	42.5	48.9	42.8	61.8	97.6	66.5	72.8	76.2	77.7	99.9
CNO	† CNO FINANCIAL GROUP, INC.	DEC	2.1	2.6	2.6	2.9	1.7	1.9	41.4	41.7	44.7	54.1	45.0	48.5	124.6	101.8	101.0	99.3	263.7	238.8
GNW	† GENWORTH FINANCIAL, INC.	DEC	9.9	5.1	6.4	4.5	3.9	3.8	10.5	18.1	20.0	22.6	24.3	27.1	10.9	18.3	19.8	20.9	29.2	30.9
GL	[] GLOBE LIFE INC.	DEC	0.3	0.4	0.4	1.2	1.2	0.4	18.4	18.4	19.0	24.5	19.8	24.5	NM	NM	NM	1,195.4	876.8	-92.1
LNC	[] LINCOLN NATIONAL CORPORATION	DEC	2.8	2.9	3.4	4.0	3.1	3.4	26.1	25.3	25.5	29.9	23.4	30.5	26.5	34.0	26.5	24.4	68.1	74.0
MET	[] METLIFE, INC.	DEC	1.0	1.1	1.1	1.1	1.0	1.0	75.2	70.4	71.1	76.8	75.0	69.7	5,358.4	2,338.5	3,051.1	1,705.4	NM	NM
PRI	† PRIMERICA, INC.	DEC	4.4	5.0	6.3	6.4	6.2	6.6	50.9	50.4	49.4	49.8	47.4	45.3	48.4	41.4	37.7	33.5	28.5	23.1
PFG	[] PRINCIPAL FINANCIAL GROUP, INC.	DEC	1.9	2.5	2.5	2.7	3.1	3.0	19.9	20.6	20.5	21.9	19.9	23.5	140.9	103.5	93.3	76.6	57.0	56.4
PRU	[] PRUDENTIAL FINANCIAL, INC.	DEC	1.0	0.6	0.6	0.6	0.6	1.0	41.5	39.5	41.1	49.0	43.7	49.4	NM	NM	NM	NM	NM	2,141.4
TRUP	§ TRUPANION, INC.	DEC	1.7	2.2	1.7	1.8	1.9	2.1	0.0	0.0	16.0	9.1	16.1	9.6	0.0	0.0	39.9	24.1	23.5	13.9
UNM	[] UNUM GROUP	DEC	24.4	32.4	7.8	17.6	8.1	9.0	23.2	23.5	22.7	25.6	22.2	25.1	24.7	23.7	39.7	39.2	36.9	41.9
MULTI-LINE INSURANCE																				
AFG	† AMERICAN FINANCIAL GROUP, INC.	DEC	2.2	1.2	1.3	1.4	1.7	1.8	28.2	22.4	29.1	33.0	20.0	21.0	42.4	26.3	101.2	107.5	33.2	34.4
AIG	[] AMERICAN INTERNATIONAL GROUP, INC.	DEC	0.7	0.7	0.6	0.6	0.6	0.6	30.4	35.8	34.4	37.6	32.5	28.7	-68.2	-92.8	-96.0	-80.6	-73.7	-66.3
AIZ	[] ASSURANT, INC.	DEC	0.5	0.7	0.6	0.6	0.9	0.9	28.6	27.0	38.9	39.3	21.4	20.7	-15.7	-20.0	-38.6	-37.5	-92.1	NM
HMN	§ HORACE MANN EDUCATORS CORPORATION	DEC	2.7	2.8	2.8	0.3	0.2	0.2	45.0	20.9	23.2	18.7	16.5	16.0	69.0	24.8	25.0	-59.9	-55.6	-49.4
HIG	[] THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	2.1	2.1	1.9	2.2	1.0	1.0	21.7	19.0	21.1	25.0	26.7	21.6	61.6	58.4	69.7	62.7	69.3	58.0

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.

Ticker	Company	Yr. End	Price/Earnings Ratio (High-Low) 2021	2020	2019	2018	2017	2016	Dividend Payout Ratio (%) 2021	2020	2019	2018	2017	2016	Dividend Yield (High-Low, %) 2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																				
AFL	[] AFLAC INCORPORATED	DEC	9 - 7	8 - 4	13 - 10	13 - 11	8 - 6	11 - 9	19.8	16.1	23.3	27.2	14.4	24.7	3.0 - 2.4	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	9 - 6	5 - 2	12 - 8	7 - 5	16 - 11	25 - 13	15.8	9.3	11.1	5.5	13.3	25.4	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	9 - 4	NM - NM	NA - NA	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 - 0.0
CNO	† CNO FINANCIAL GROUP, INC.	DEC	8 - 6	11 - 4	7 - 5	NM - NM	25 - 18	10 - 7	14.9	22.2	16.4	NM	33.9	15.3	2.9 - 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	3 - 2	14 - 6	7 - 4	20 - 11	3 - 2	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
GL	[] GLOBE LIFE INC.	DEC	15 - 12	16 - 8	15 - 11	15 - 11	7 - 6	16 - 11	10.7	10.7	9.8	10.2	4.7	12.2	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	10 - 6	24 - 7	15 - 12	11 - 6	8 - 7	13 - 6	22.7	62.3	34.2	17.6	12.6	20.0	3.5 - 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	9 - 6	9 - 4	8 - 7	11 - 8	15 - 13	85 - 52	28.1	34.4	30.9	35.5	45.4	216.4	3.4 - 2.7	4.1 - 2.9	7.5 - 3.3	4.4 - 3.5	4.2 - 2.9	3.4 - 2.8
PRI	† PRIMERICA, INC.	DEC	19 - 14	15 - 6	16 - 11	17 - 12	14 - 9	16 - 9	20.0	16.7	15.7	13.6	10.2	15.2	1.9 - 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	12 - 8	11 - 5	12 - 9	14 - 8	9 - 7	13 - 8	38.2	44.0	43.5	38.7	23.4	35.3	4.0 - 3.2	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	6 - 4	NM - NM	10 - 8	13 - 8	6 - 5	11 - 6	23.5	NM	39.2	37.3	16.5	29.8	4.9 - 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	8 - 5	8 - 3	7 - 5	25 - 11	13 - 10	11 - 6	29.0	29.2	20.8	41.2	19.7	19.6	5.4 - 3.3	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	6 - 3	14 - 6	11 - 9	20 - 14	20 - 16	12 - 9	113.0	22.0	16.4	24.0	22.9	15.1	1.8 - 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	6 - 3	NM - NM	15 - 10	NM - NM	NM - NM	NM - NM	11.8	NM	33.9	NM	NM	NM	2.5 - 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	7 - 5	20 - 11	23 - 15	28 - 21	11 - 9	10 - 7	11.8	39.2	44.5	59.0	22.9	22.2	1.9 - 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	13 - 11	14 - 10	11 - 8	107 - 81	12 - 8	21 - 14	36.0	37.2	25.7	254.5	27.2	52.9	3.4 - 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	11 - 7	13 - 5	11 - 7	12 - 8	NM - NM	21 - 16	21.4	27.5	21.8	21.0	NM	37.3	2.4 - 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.

Ticker	Company	Yr. End	Earnings per Share ($) 2021	2020	2019	2018	2017	2016	Tangible Book Value per Share ($) 2021	2020	2019	2018	2017	2016	Share Price (High-Low, $) 2021	2020	2019	2018	2017	2016
LIFE AND HEALTH INSURANCE																				
AFL	[] AFLAC INCORPORATED	DEC	6.4	6.7	4.4	3.8	5.8	3.2	50.6	48.1	39.8	31.1	31.5	25.2	59.2 - 43.0	53.5 - 23.1	57.2 - 44.3	48.2 - 41.4	44.9 - 33.3	37.3 - 27.3
AEL	§ AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY	DEC	4.6	6.9	2.7	5.0	1.9	1.0	68.3	66.3	50.2	26.5	31.9	26.0	39.9 - 26.2	34.3 - 9.1	33.6 - 20.2	38.6 - 25.3	32.5 - 21.7	23.7 - 12.7
BHF	† BRIGHTHOUSE FINANCIAL, INC.	DEC	-2.4	-11.6	-6.8	7.2	-3.2	-24.5	207.3	204.3	152.5	122.7	121.2	148,620.0	56.9 - 34.9	48.3 - 12.1	44.1 - 29.7	67.6 - 28.5	63.7 - 52.8	0.0 - 0.0
CNO	† CNO FINANCIAL GROUP, INC.	DEC	3.4	2.1	2.6	-1.9	1.0	2.0	43.7	40.5	31.6	20.8	29.1	25.8	27.9 - 21.1	23.5 - 8.8	19.3 - 14.0	26.5 - 13.6	25.8 - 18.5	20.6 - 14.3
GNW	† GENWORTH FINANCIAL, INC.	DEC	1.8	0.3	0.7	0.2	1.6	-0.6	30.3	30.0	27.8	24.3	26.4	24.8	4.6 - 2.6	4.8 - 1.9	5.0 - 2.9	4.9 - 2.7	4.2 - 3.1	5.3 - 1.6
GL	[] GLOBE LIFE INC.	DEC	7.2	6.8	6.8	6.1	12.2	4.5	82.0	80.2	63.6	44.9	50.5	35.0	108.2 - 85.3	111.4 - 56.7	107.3 - 73.5	93.6 - 69.7	91.3 - 72.6	75.1 - 48.5
LNC	[] LINCOLN NATIONAL CORPORATION	DEC	7.4	2.6	4.4	7.4	9.2	5.0	104.1	108.5	90.8	60.8	72.9	53.7	77.6 - 44.6	62.0 - 16.1	67.5 - 49.7	86.7 - 48.1	78.7 - 61.5	69.5 - 30.4
MET	[] METLIFE, INC.	DEC	7.3	5.7	6.1	4.9	3.6	0.7	67.4	69.6	60.7	43.8	45.8	52.1	67.7 - 45.7	53.3 - 22.9	51.6 - 40.3	55.2 - 37.8	56.6 - 46.4	58.1 - 35.0
PRI	† PRIMERICA, INC.	DEC	9.4	9.6	8.6	7.3	7.6	4.6	43.4	45.6	39.0	33.1	30.9	25.5	179.5 - 128.8	141.2 - 61.2	138.1 - 94.1	128.4 - 90.1	106.4 - 69.0	73.1 - 37.1
PFG	[] PRINCIPAL FINANCIAL GROUP, INC.	DEC	6.3	5.1	5.0	5.4	7.9	4.5	49.1	48.0	40.3	32.1	36.2	27.4	74.3 - 47.5	57.2 - 23.3	60.8 - 43.3	75.6 - 40.4	72.2 - 56.1	61.3 - 33.1
PRU	[] PRUDENTIAL FINANCIAL, INC.	DEC	19.5	-1.0	10.1	9.5	17.9	9.7	159.6	161.7	149.9	116.1	126.1	104.6	115.5 - 75.7	97.2 - 38.6	106.4 - 77.7	127.1 - 75.6	118.2 - 97.9	108.3 - 57.2
TRUP	§ TRUPANION, INC.	DEC	-0.9	-0.2	-0.1	0.0	-0.1	-0.2	6.8	7.1	3.7	3.6	1.4	1.3	158.2 - 69.7	124.7 - 22.5	37.8 - 20.8	46.7 - 22.4	33.0 - 13.7	17.7 - 7.6
UNM	[] UNUM GROUP	DEC	4.0	3.9	5.2	2.4	4.4	4.0	54.6	51.6	47.4	38.6	41.5	37.6	32.0 - 21.9	30.6 - 9.6	38.3 - 24.7	58.7 - 26.8	57.6 - 43.6	45.0 - 24.0
MULTI-LINE INSURANCE																				
AFG	† AMERICAN FINANCIAL GROUP, INC.	DEC	23.3	8.2	9.9	5.9	5.3	7.3	54.9	76.2	66.7	52.7	57.8	53.9	146.6 - 79.2	115.0 - 44.0	111.9 - 88.7	121.7 - 84.2	109.4 - 85.6	88.5 - 64.9
AIG	[] AMERICAN INTERNATIONAL GROUP, INC.	DEC	10.8	-6.9	3.7	0.0	-6.5	-0.8	74.6	71.4	69.9	59.9	70.6	75.1	62.5 - 36.8	56.4 - 16.1	58.7 - 38.7	65.1 - 36.2	67.5 - 57.9	67.0 - 48.4
AIZ	[] ASSURANT, INC.	DEC	22.8	7.0	5.9	4.0	9.4	9.1	39.4	45.9	46.1	35.0	58.5	54.1	172.2 - 121.6	142.6 - 76.3	134.3 - 88.3	111.4 - 82.3	107.0 - 86.0	94.4 - 64.4
HMN	§ HORACE MANN EDUCATORS CORPORATION	DEC	3.4	3.2	4.4	0.4	4.1	2.0	42.4	38.3	32.5	30.3	35.7	31.0	44.7 - 36.2	46.2 - 30.5	48.2 - 34.4	47.5 - 35.3	47.7 - 33.9	43.7 - 27.2
HIG	[] THE HARTFORD FINANCIAL SERVICES GROUP, INC.	DEC	6.6	4.8	5.7	4.9	-8.6	2.3	44.0	42.9	36.2	30.1	32.4	43.6	78.2 - 47.5	61.3 - 19.0	62.8 - 42.8	59.2 - 40.5	58.6 - 46.4	48.8 - 36.5

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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