



U.S. Life Insurance Sector View

Presentation to the Federal Advisory Committee on Insurance

S&P Global
Ratings

Carmi Margalit

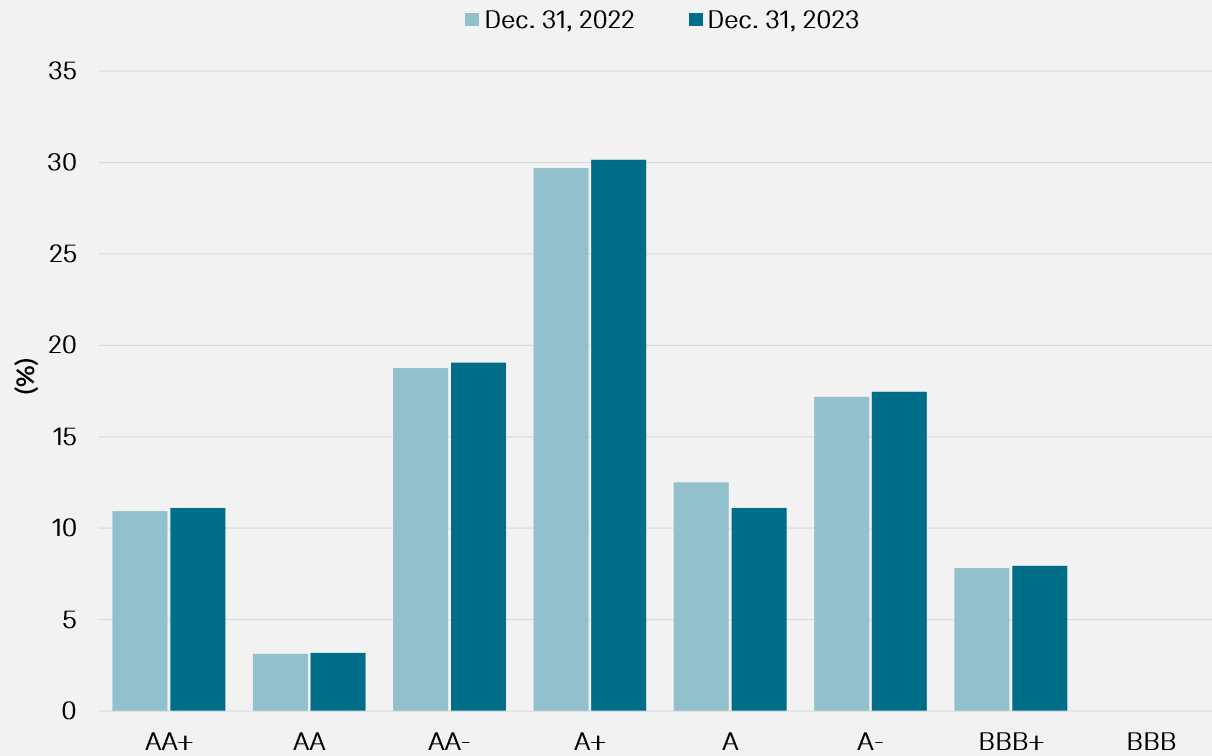
Managing Director
Life Insurance Sector Lead

S&P Global Ratings

20 March 2024

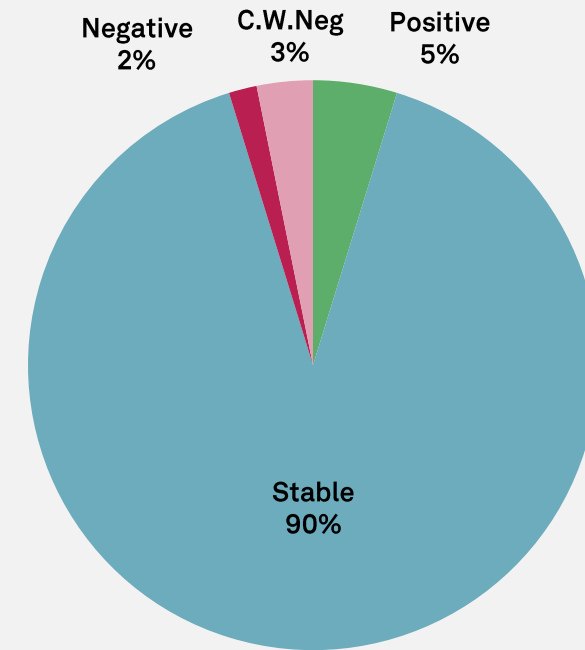
U.S. Life Insurance Sector: Rating/Outlook Distribution

Financial strength rating distribution



Source: S&P Global Ratings.

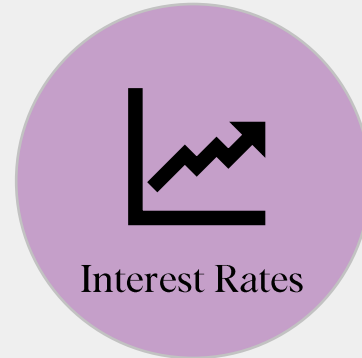
Year-end outlook distribution (%)



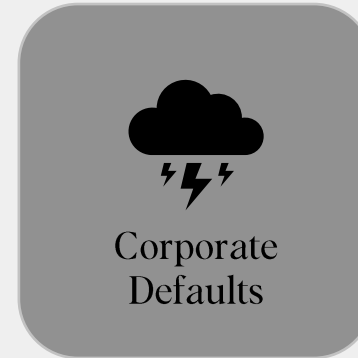
Source: S&P Global Ratings.

Our Credit View of the North American Life Insurance Sector is **Stable**

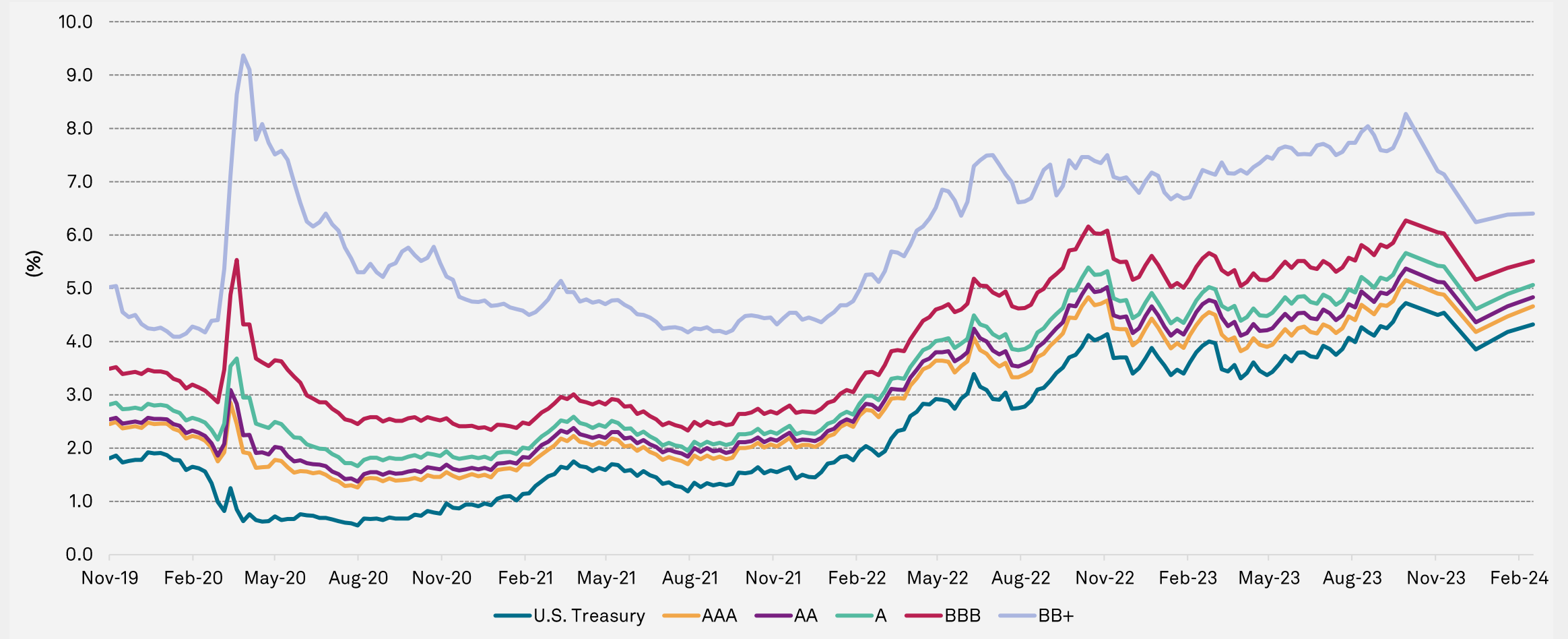
Strengths & Tailwinds



Risks & Headwinds

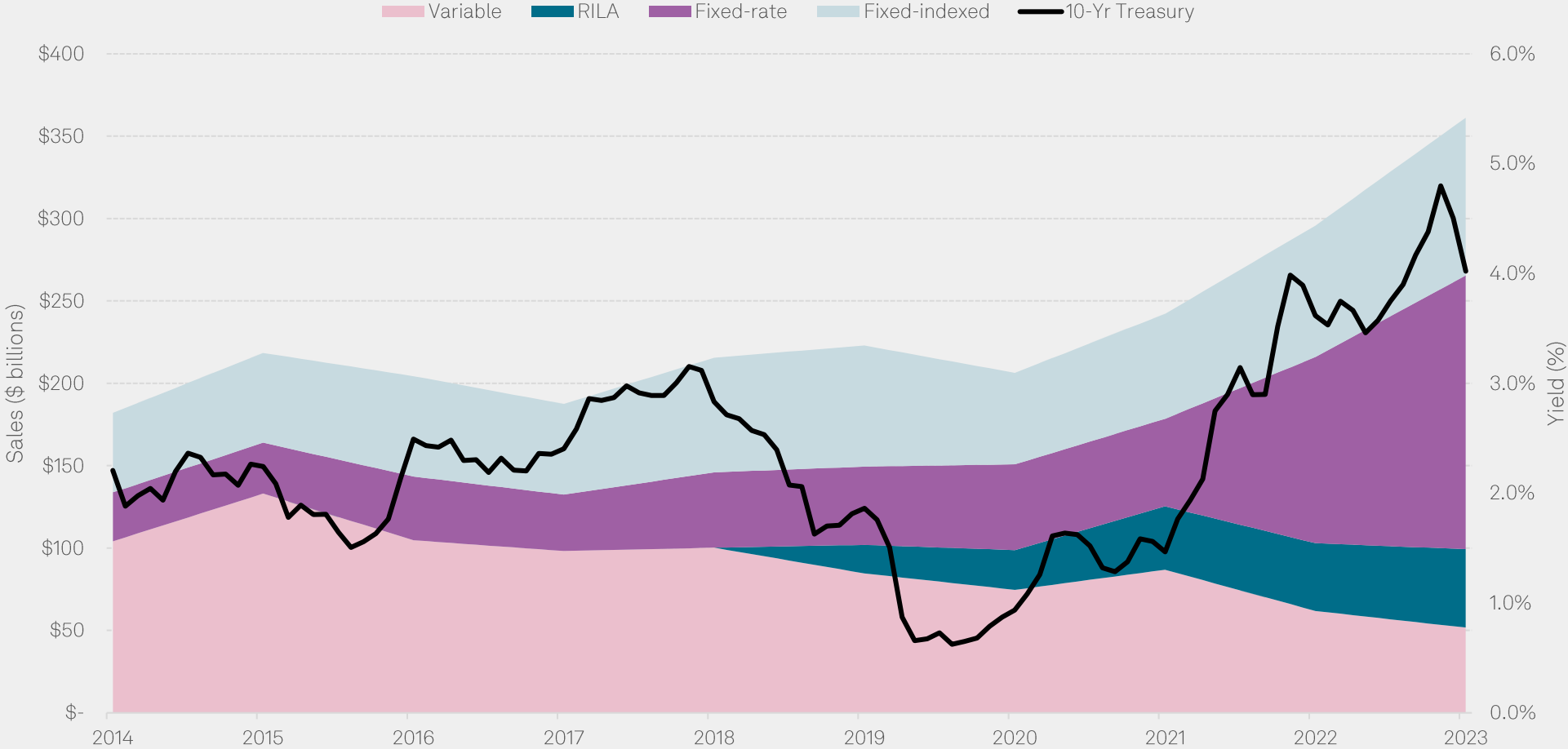


Corporate Bond Yields - 10-Year Maturity



Source: LIMRA, Federal Reserve

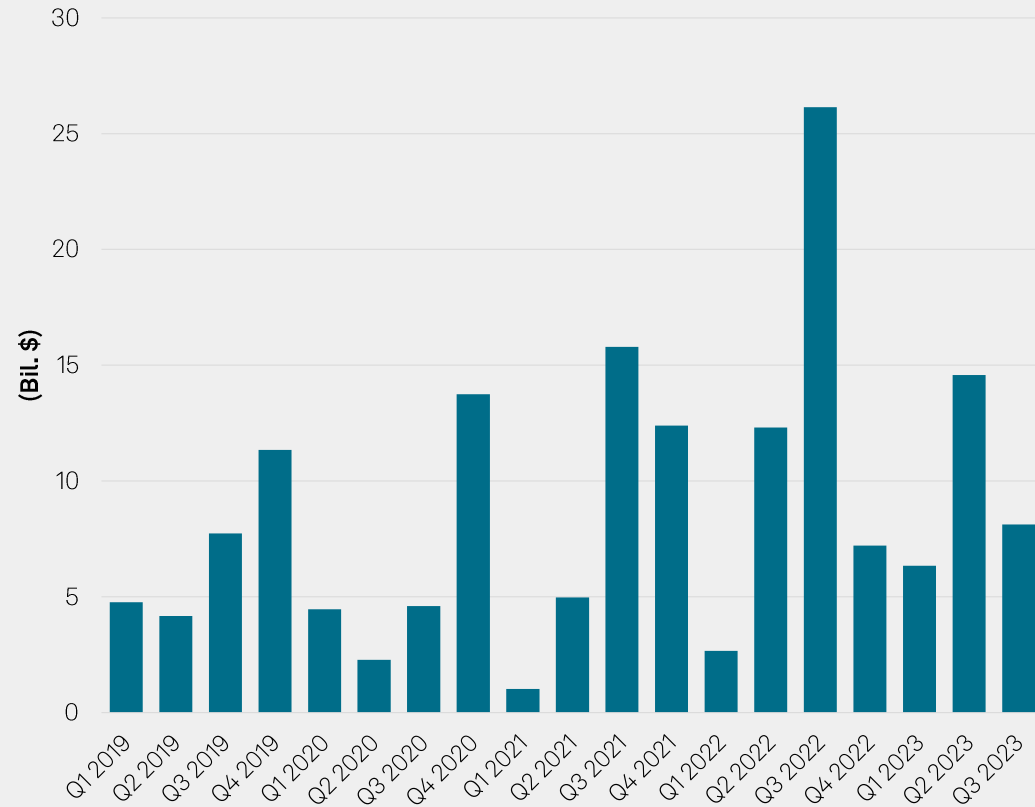
U.S. Annuity Sales & U.S. 10-year Treasury Rate



Source: LIMRA, Federal Reserve

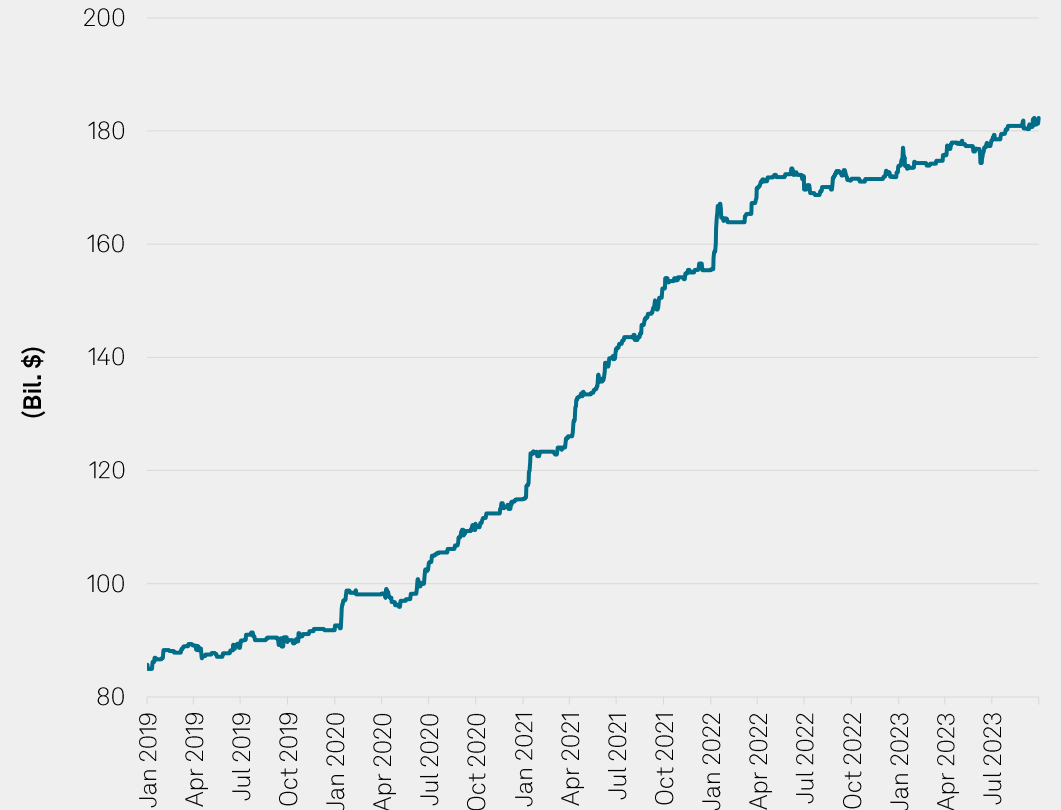
Rates Continue to Support Sales of Institutional Spread Products as Well

Quarterly sales of pension risk transfers



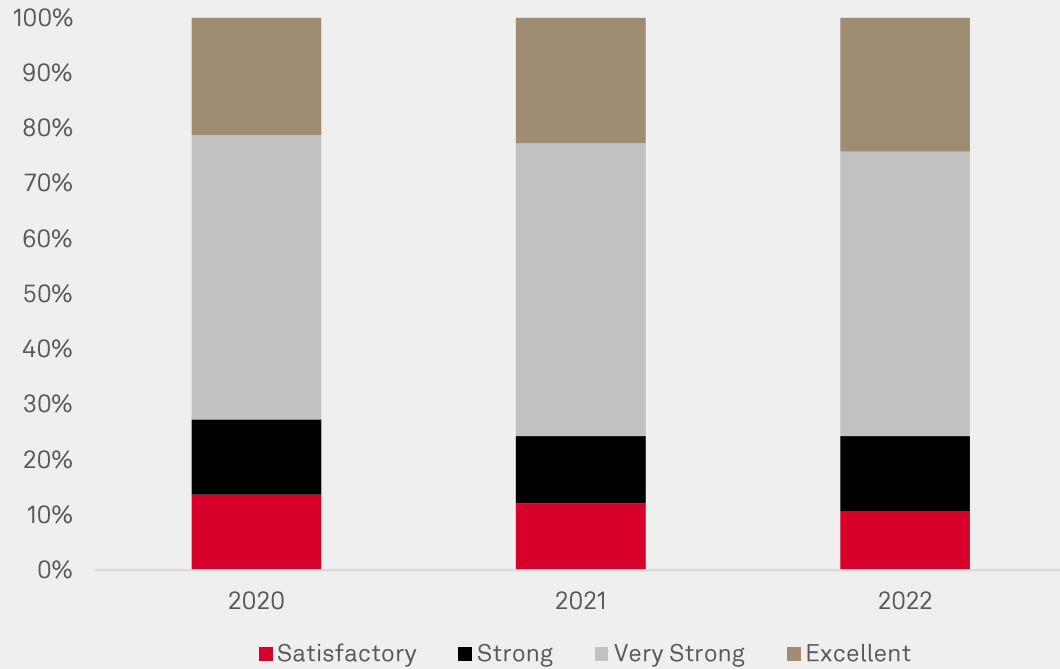
Source: LIMRA, Federal Reserve

Total outstanding funding agreement-backed securities

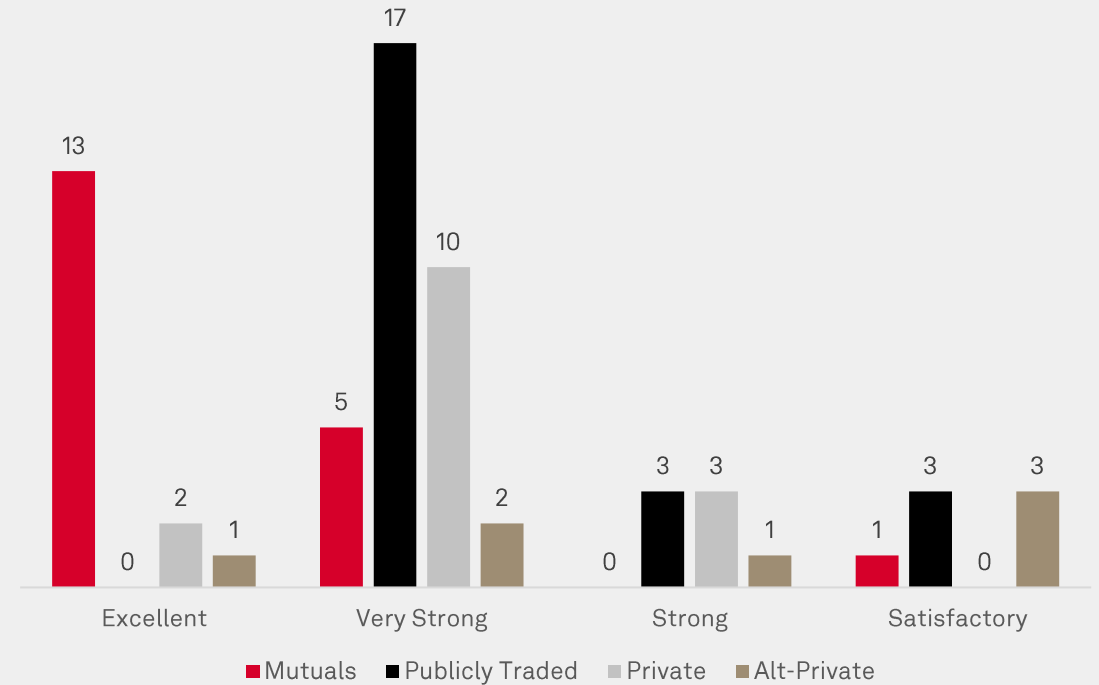


U.S. Life: Capital Buffers Remain Strong

90% of Rated Insurers have Strong or Better Capital & Earnings Score



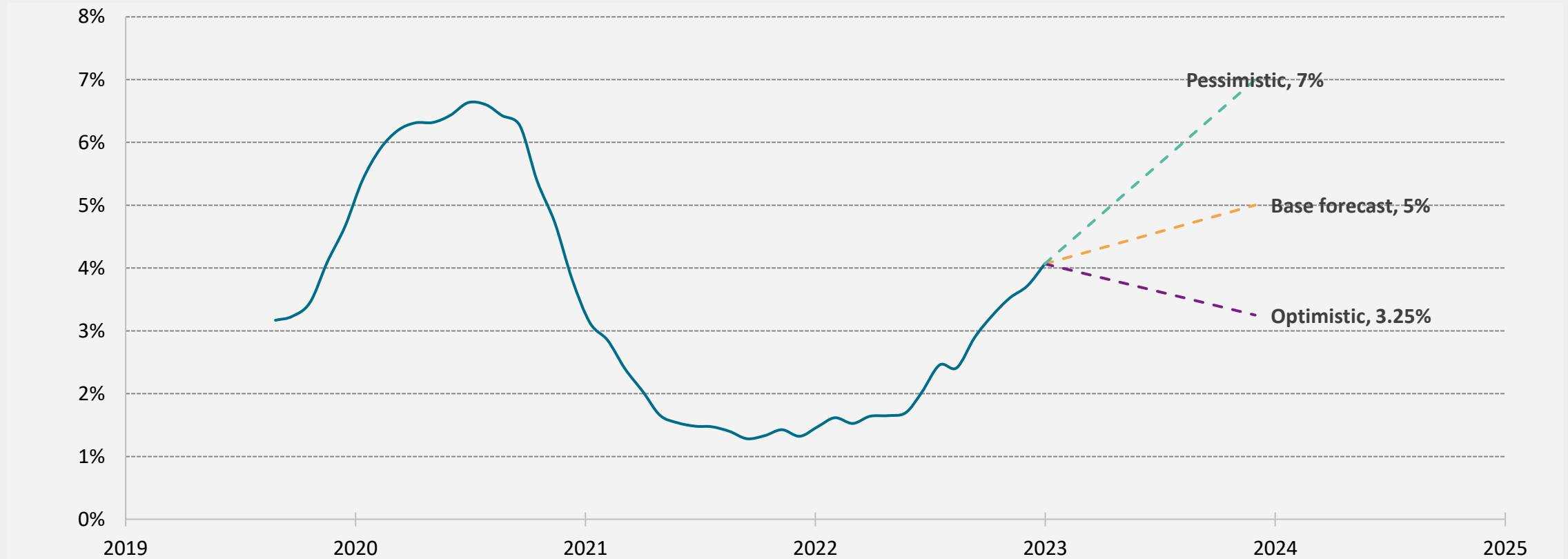
Capital & Earnings Score of Rated Life Companies by Ownership Type



Source: S&P Global Ratings

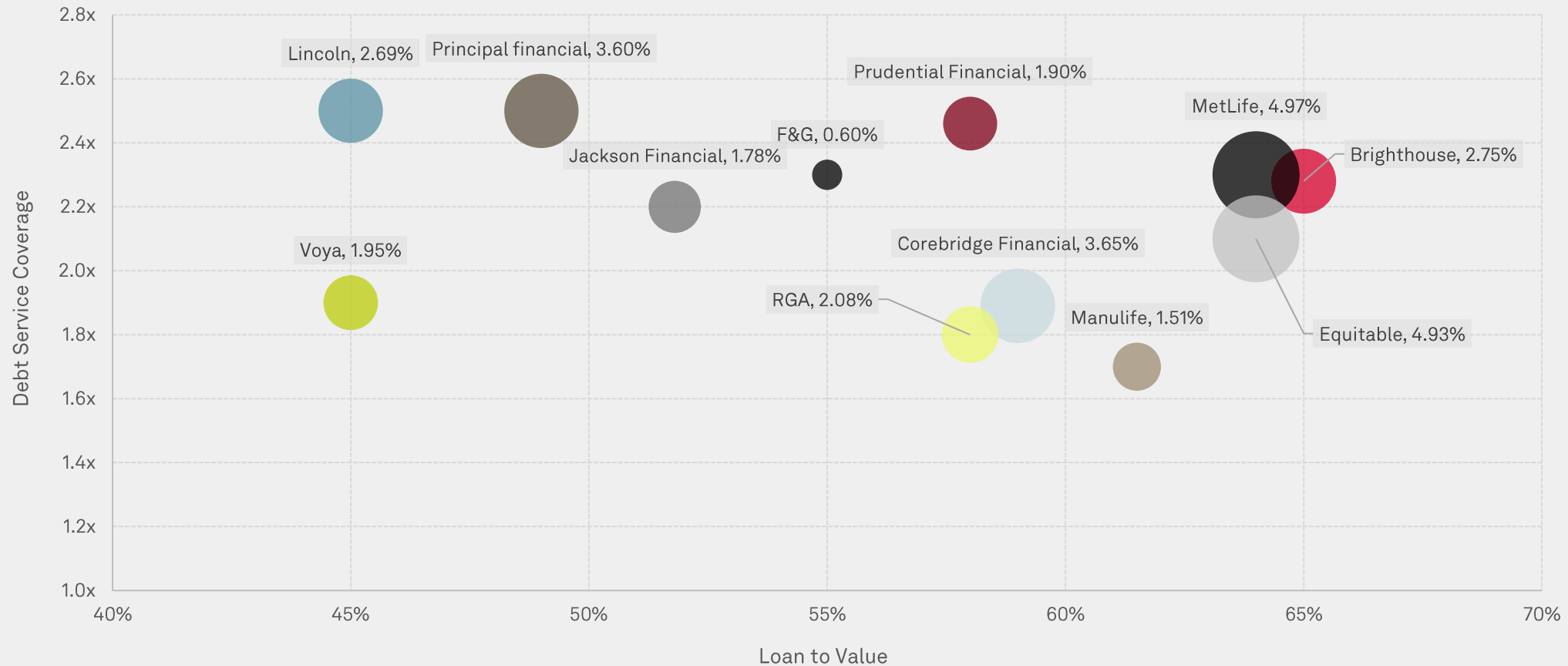
Note: Data reflects a combination of capital & earnings scores based on companies for which the new capital model criteria was implemented and scores based on criteria that was superseded by the new criteria on 11/15/2023 for companies which have yet to be implemented.

U.S. Speculative Grade Default Rate Expected To Hit 5% By Sept. 2024



Commercial Mortgage Loans Remain a Concern but Risk is Likely Manageable

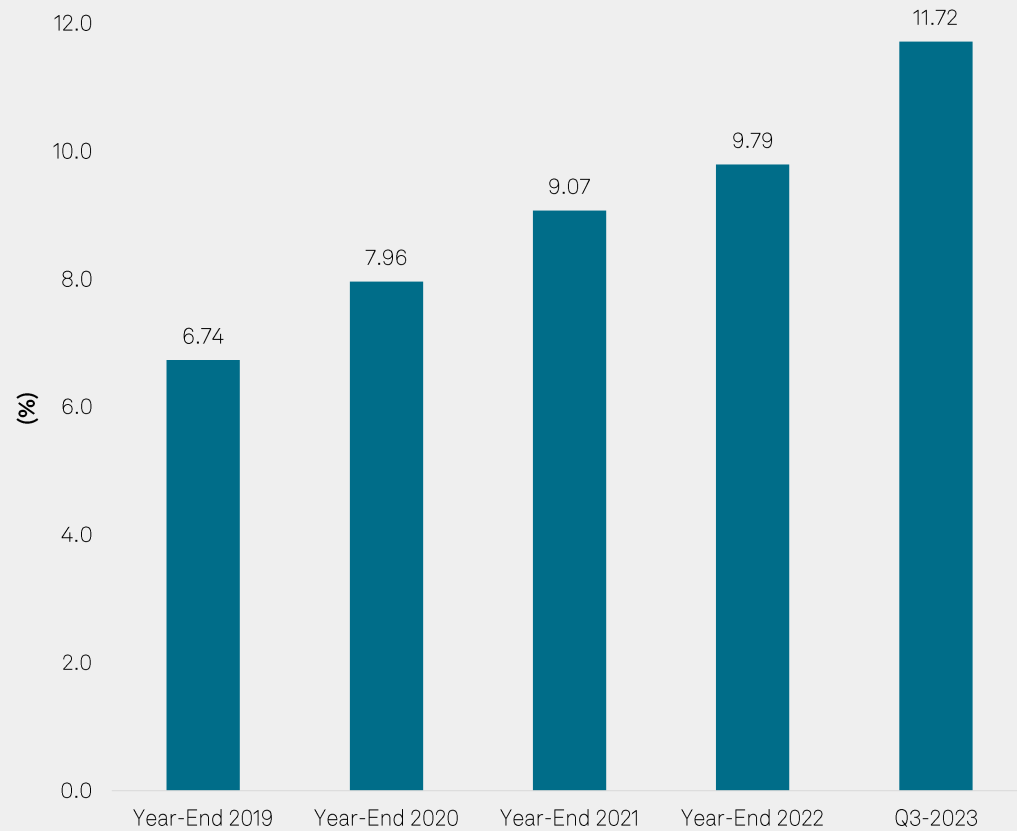
Year-end 2023 CML Loan to Value and Debt Service Coverage Ratios
(size of bubbles reflects CMLs on office properties, as a percentage of total invested assets)



Source: Q4'23 Earning Presentations, Financial Supplements, 10-K's.

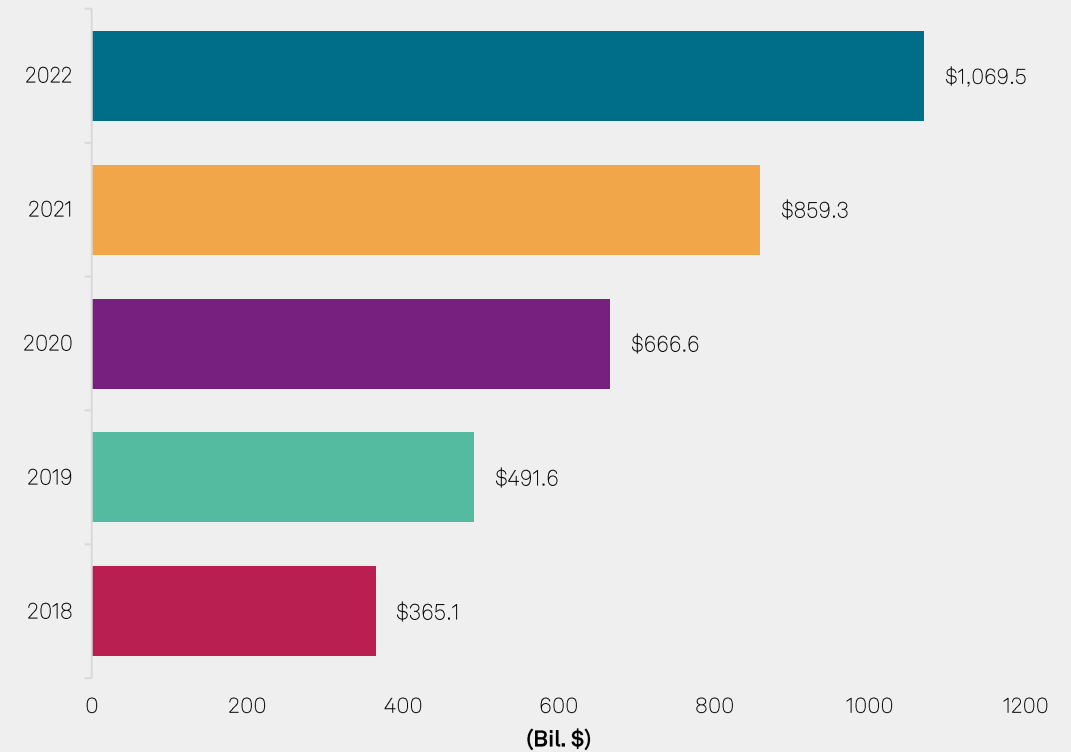
Private Equity Ownership and Offshore Reinsurance are Growing

Estimated share of assets of PE-affiliated life insurers



Sources: NAIC statutory filings for U.S. life insurance companies and S&P Global Capital IQ Pro

Long-term (re) insurers' asset growth in Bermuda



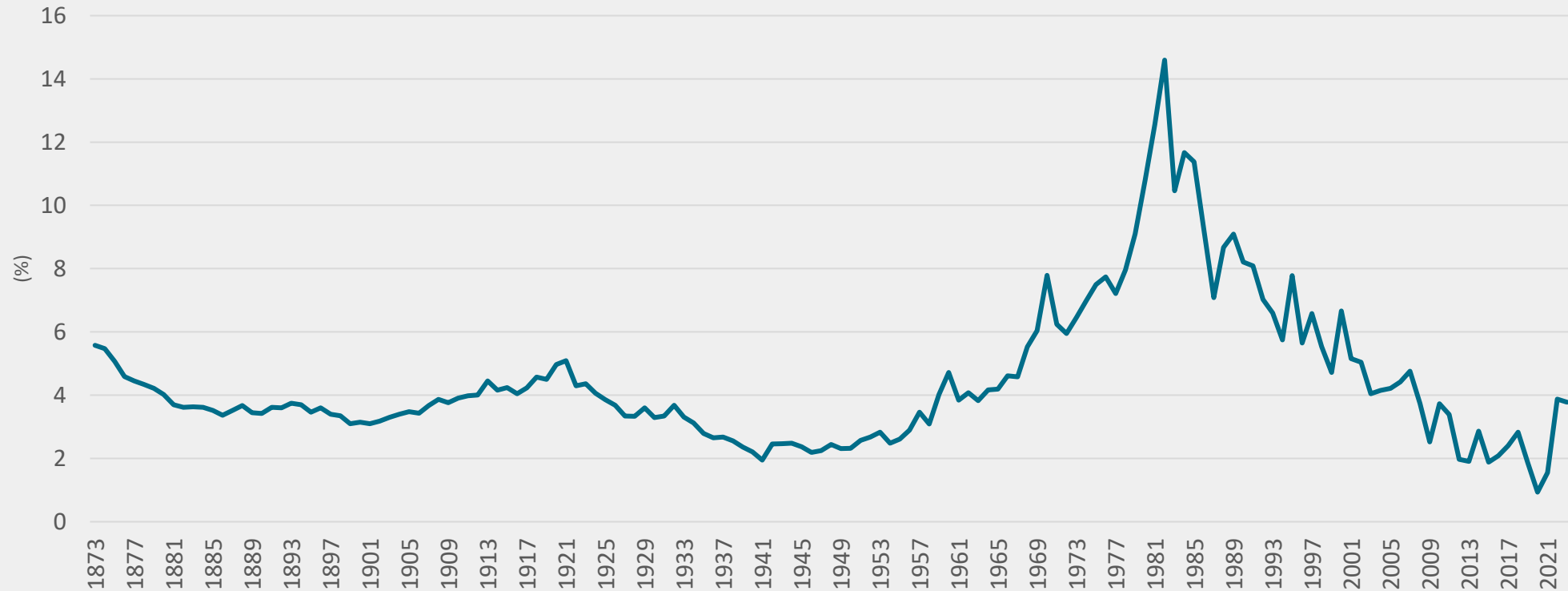
Source: BMA Annual Statements

M&A: **Spread Business** and **Complex Liabilities** Move to Private Hands

Month	Size	Buyer/Reinsurer	Seller/Cedant	Business	Type
Dec-23	\$5 B	Global Atlantic	Manulife	LTC, Whole Life & Fixed Annuities	Public to Private: Complex Liabilities & Spread
Oct-23	\$2 B	Prosperity Life	National Western	Life & Fixed Annuities	Public to Private: Spread
Sep-23	\$10 B	Prismic Re	Prudential	Fixed Annuities	Public to Private: Spread
Jul-23	\$13 B	Somerset Re	Prudential	ULSG	Public to Private: Complex Liabilities
Jun-23	\$4 B	Brookfield Re	American Equity	Indexed Annuities	Public to Private: Spread
May-23	\$28 B	Fortitude Re	Lincoln	ULSG, Combo LTC & Fixed Annuities	Public to Private: Complex Liabilities & Spread
May-23	\$19 B	Global Atlantic	MetLife	ULSG, UL & Fixed Annuities	Public to Private: Complex Liabilities & Spread
May-23	\$10 B	Constellation	Prudential	VA	Public to Private: Complex Liabilities

Risk of **Disintermediation** Seems Remote for Now

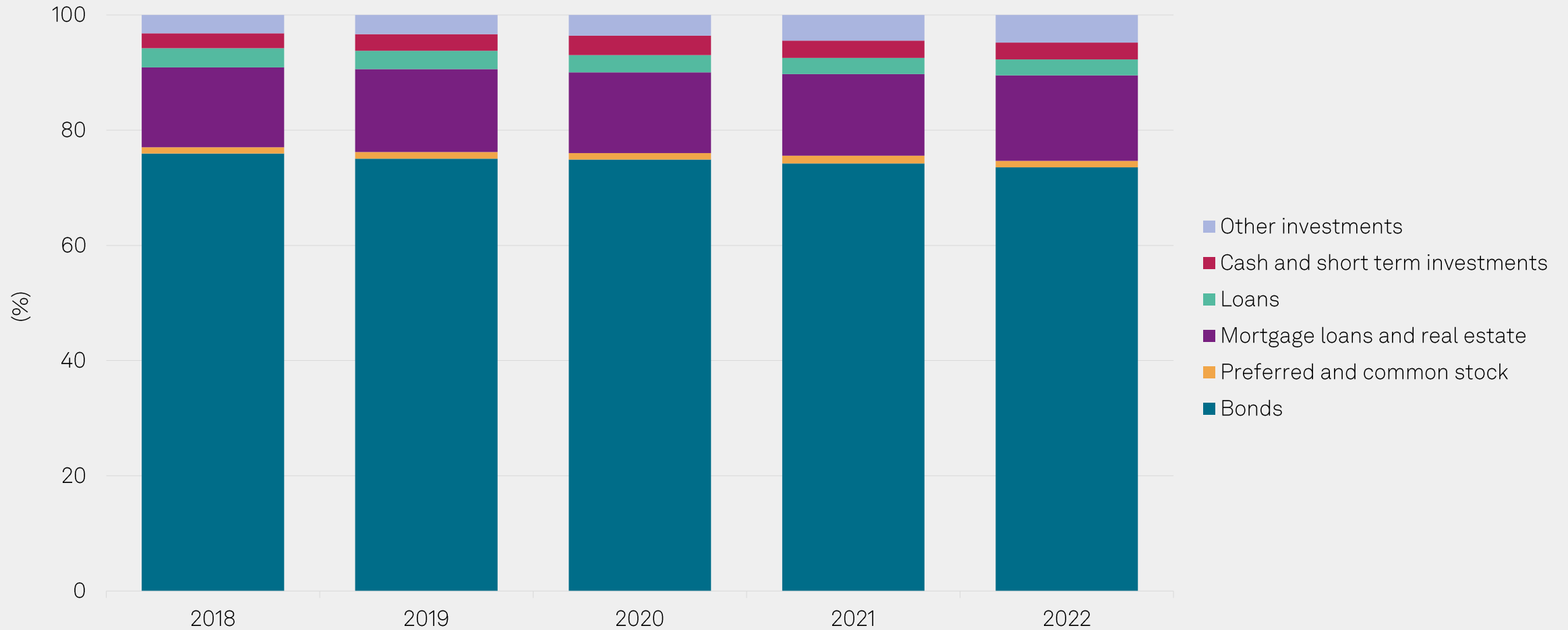
Long Term History of U.S. 10-Year Government Bond Rate



Source: S&P Capital IQ, S&P Global Ratings Research and US Macro Data from multiple sources

Appendix

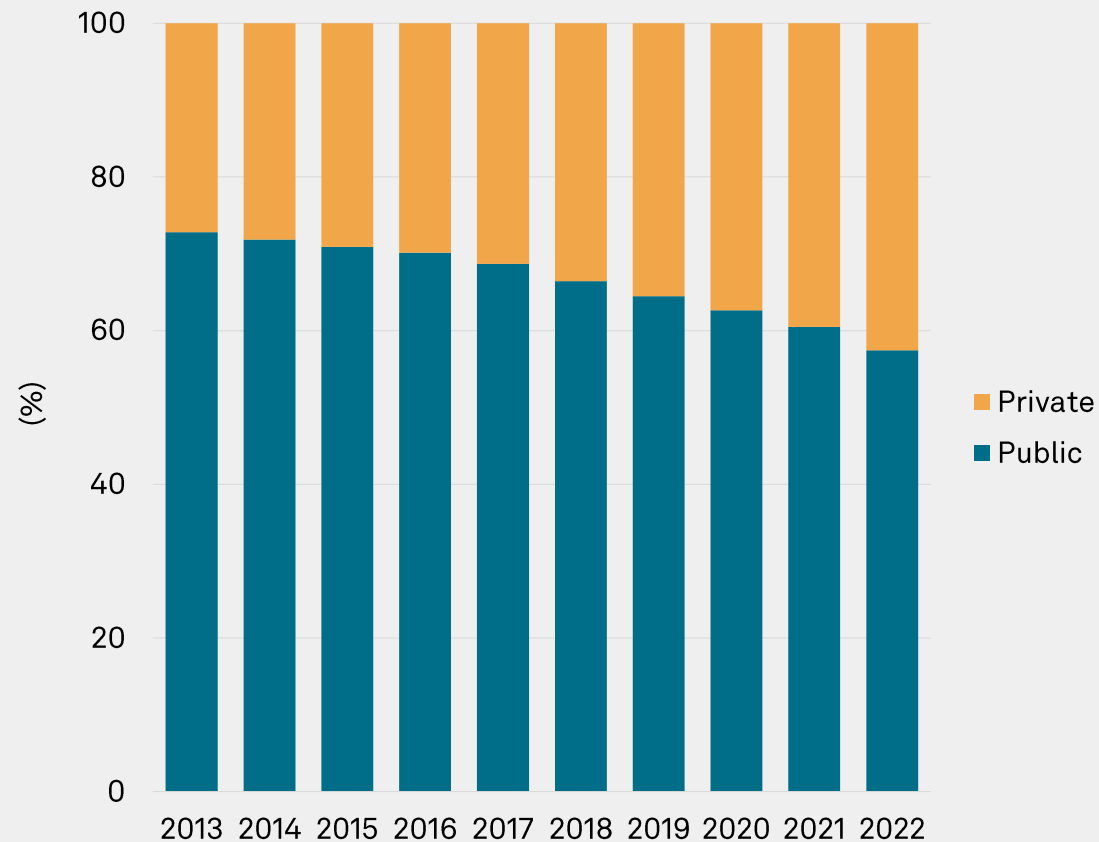
Overall Makeup Of Assets Remains Stable



Source: S&P Capital IQ Pro.

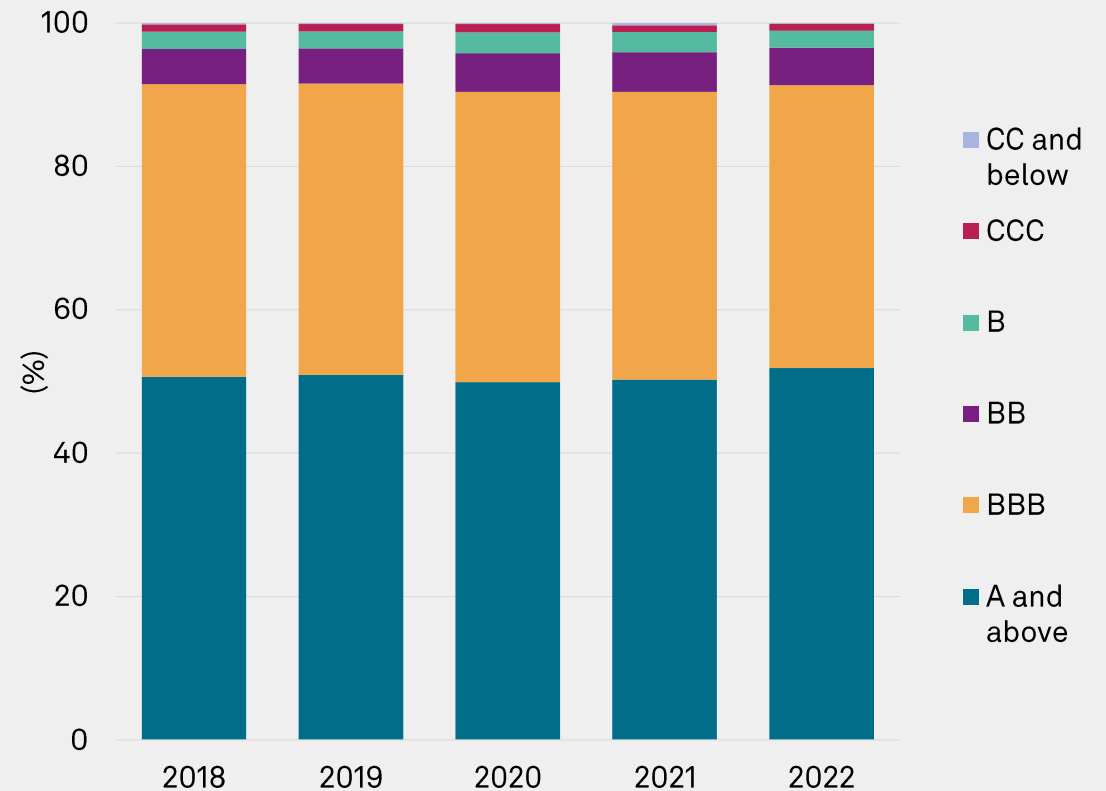
Private Credit is Also Growing, Mostly in Investment-Grade Securities

Public versus private bonds



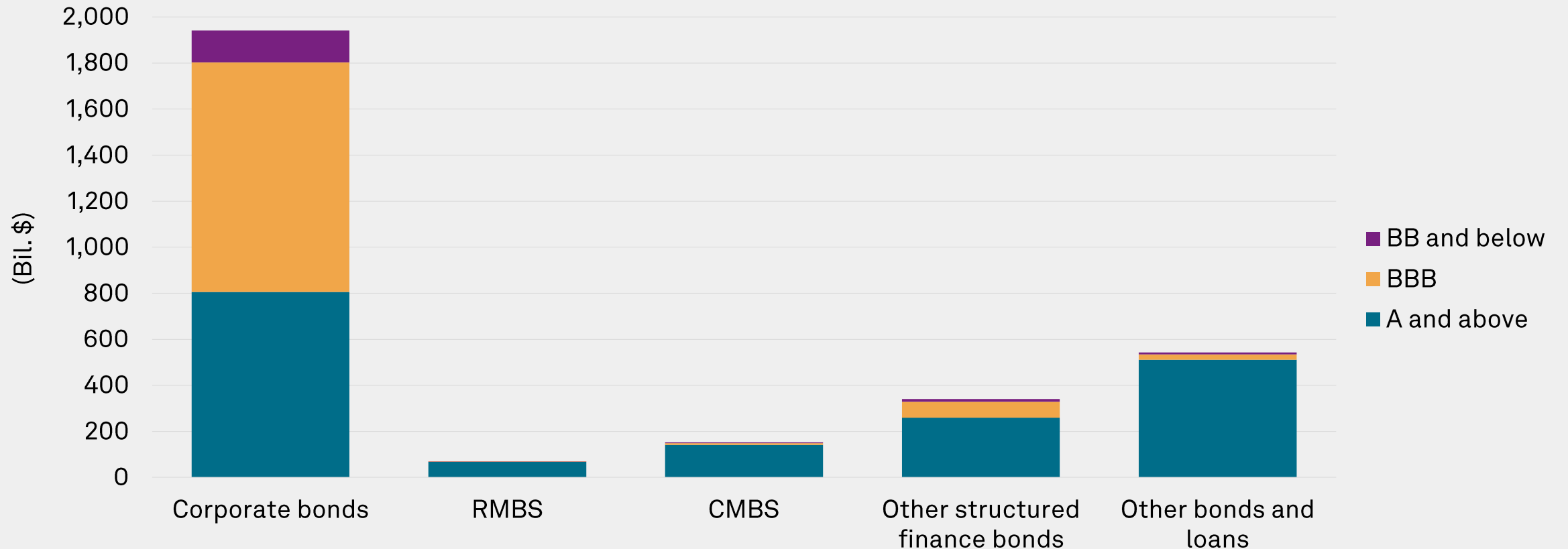
Source: S&P Capital IQ Pro.

Credit quality of private bonds



Source: S&P Capital IQ Pro.

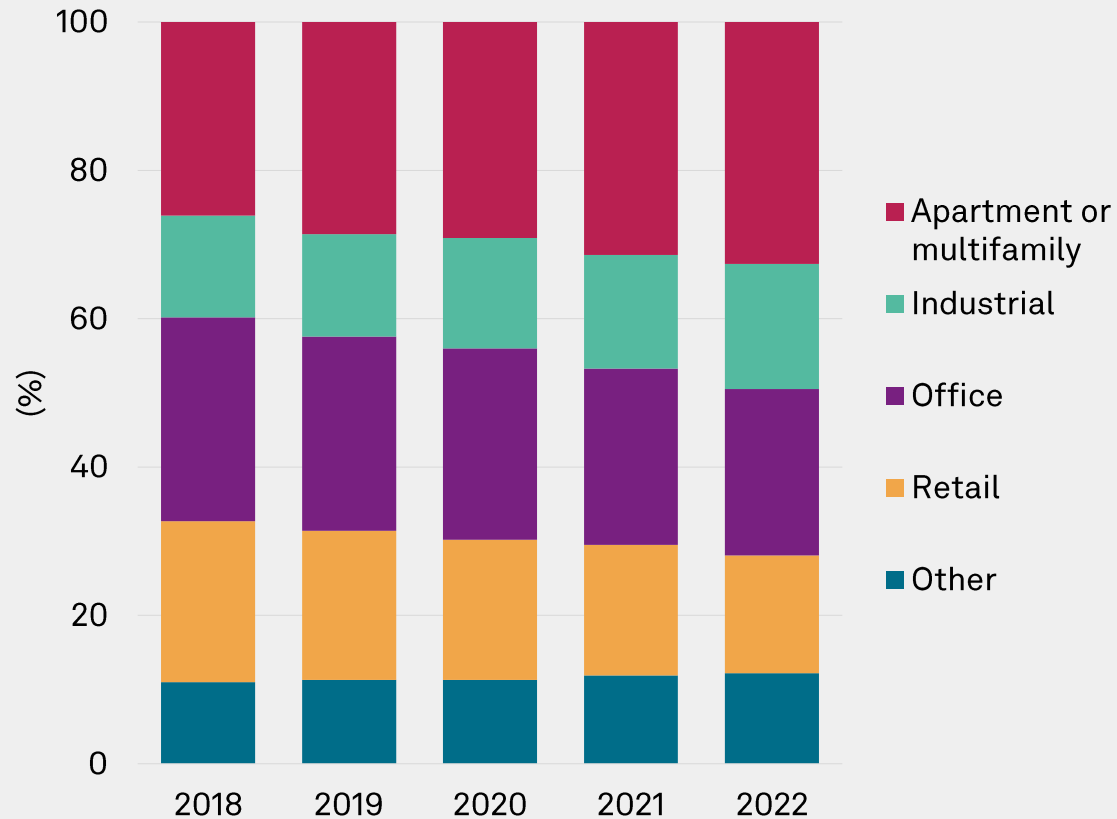
Structured Finance Assets are Overwhelmingly Investment Grade



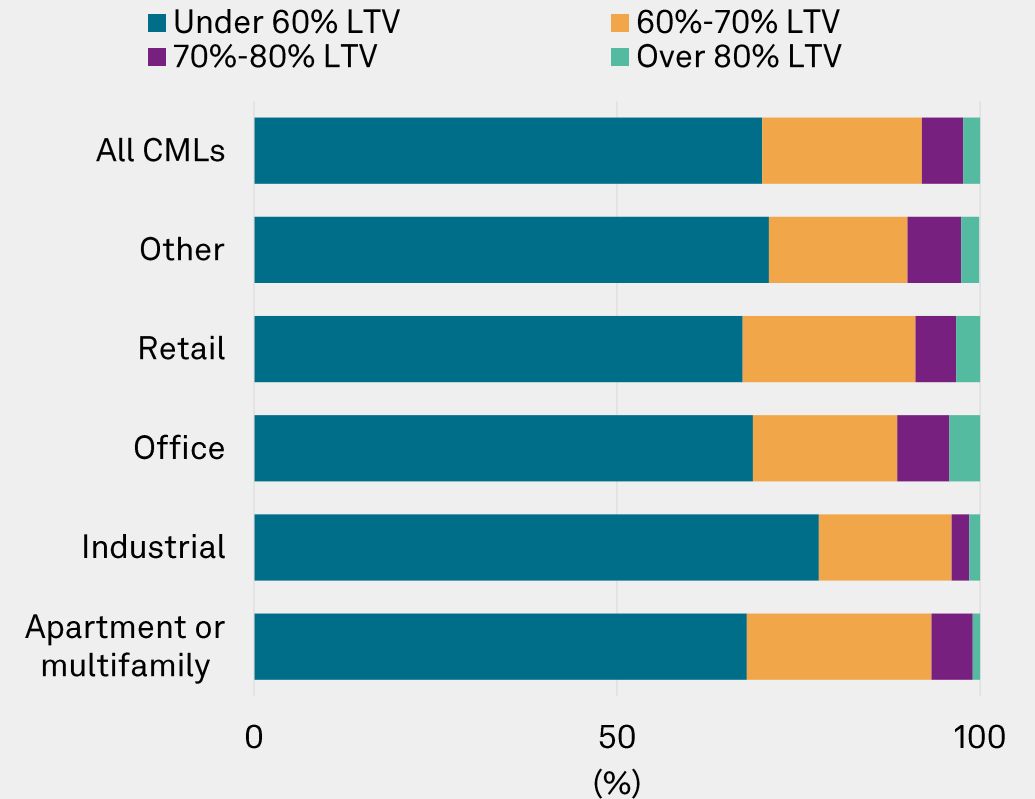
Source: S&P Capital IQ Pro.

Office CML Is A Concern But Likely To Be Manageable

U.S. life insurers' CML by property type



LTV distribution by property type (year-end 2022)



Source: S&P Capital IQ Pro.

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