

Note: This session has live audience polling

# Review & Preview

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# Life/Annuity Review & Preview

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This session has live Q&A – please submit questions via the “Ask A Question” icon in the session navigation bar



# Market Segment Outlook – US Life/Annuity

**AM Best is maintaining a Stable outlook for the US Life/Annuity segment, based on the following factors:**

- High levels of risk-based capitalization and strong liquidity profiles
- Robust annuity sales continuing and building on 2022 record sales
- Slightly improved new money yields
- Credit environment remains benign

# Market Segment Outlook – US Life/Annuity

Factors partially countering these positives include the following:

- Potential market volatility
- Concerns about asset classes such as structured securities, private debt and real estate
- The war for talent amid labor shortages and flexible work alternatives
- Legacy liabilities in risky product offerings, including long-term care, universal life with secondary guarantees and variable annuities with living benefits

# Top 5 Trends Impacting the Life/Annuity Segment

**Robust annuity sales**

**Interest rate watch**

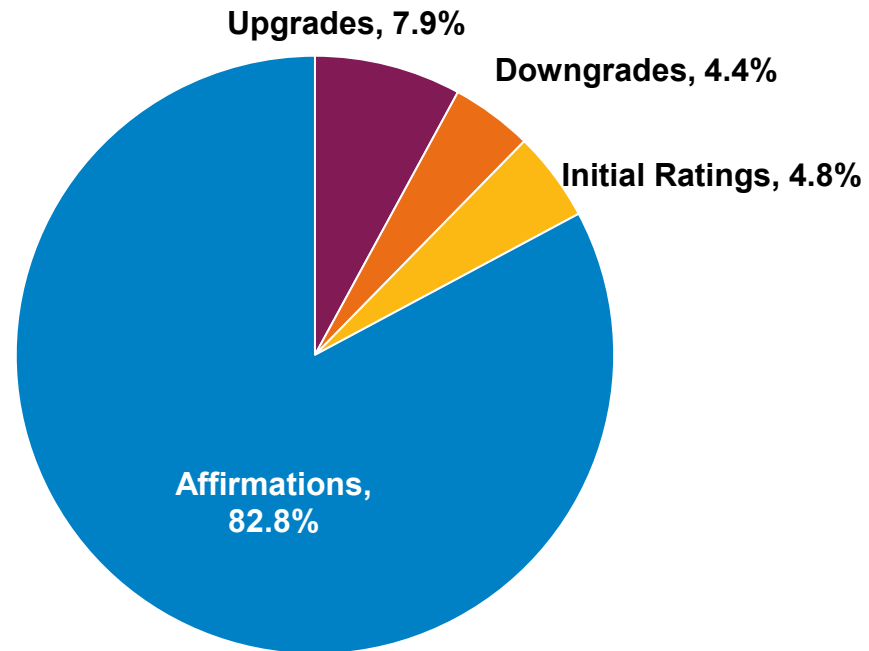
**Digitalization**

**Scale matters**

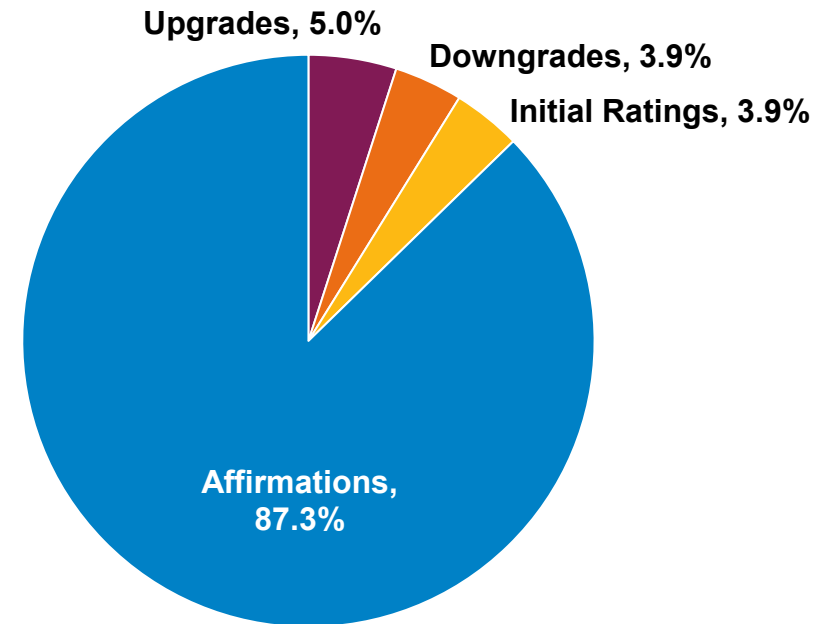
**M&A**

# Issuer Credit Rating Activity

2022



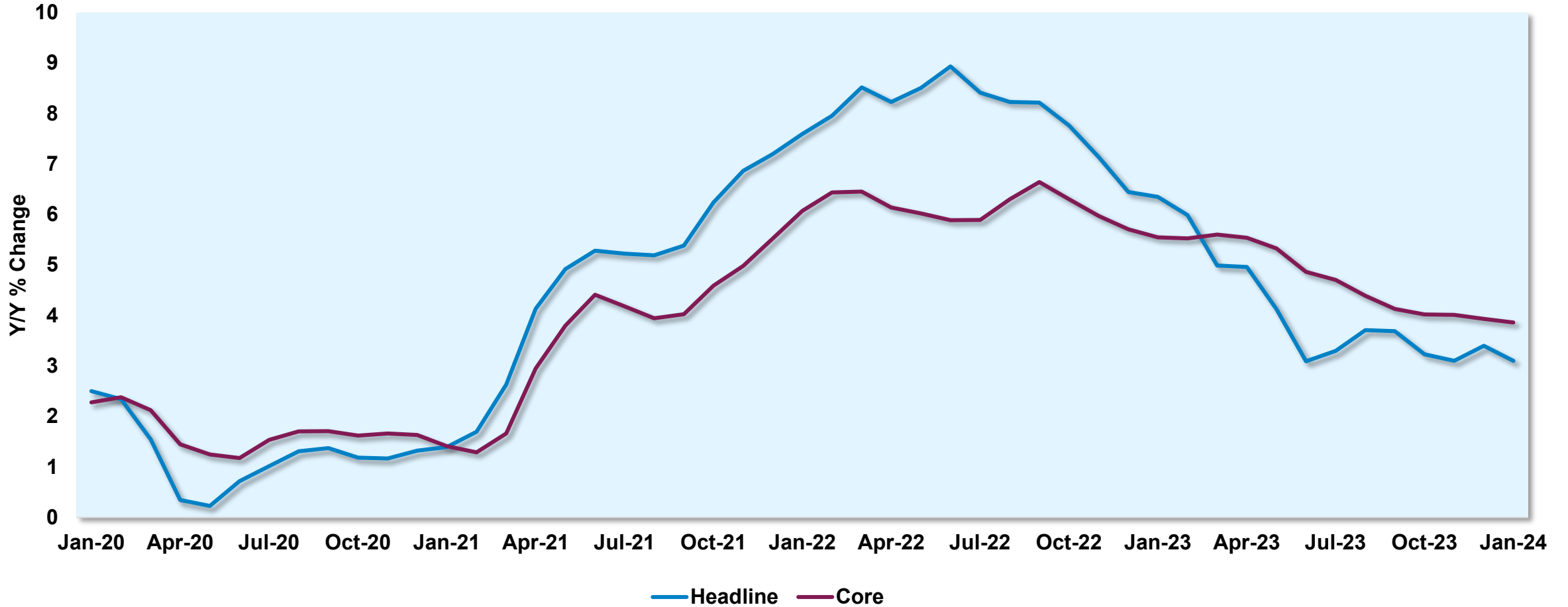
2023





# Inflation

## Inflation Continues Downward Trend, Still Above Fed's Target



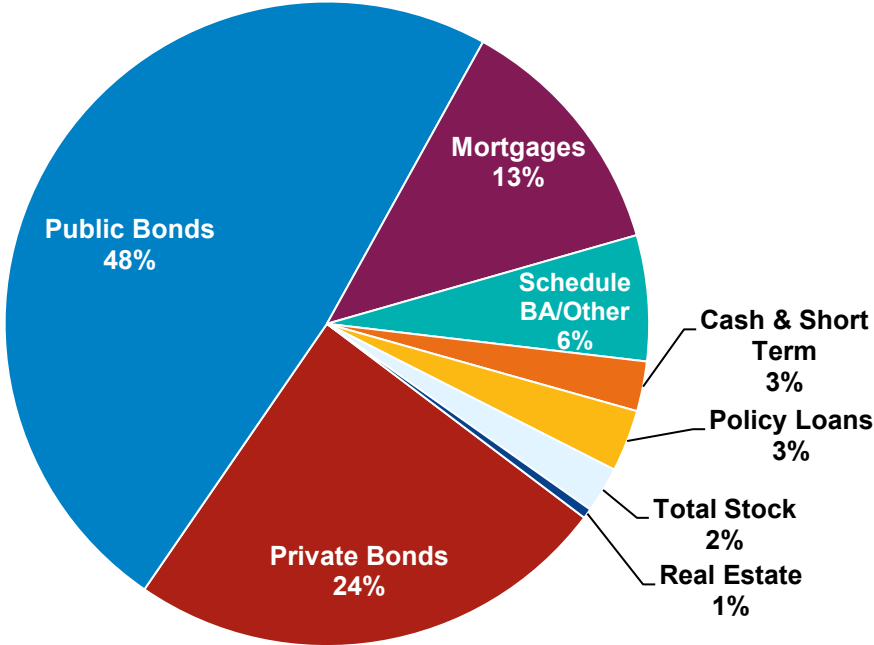
# Interest Rates

US 10-Year Treasury

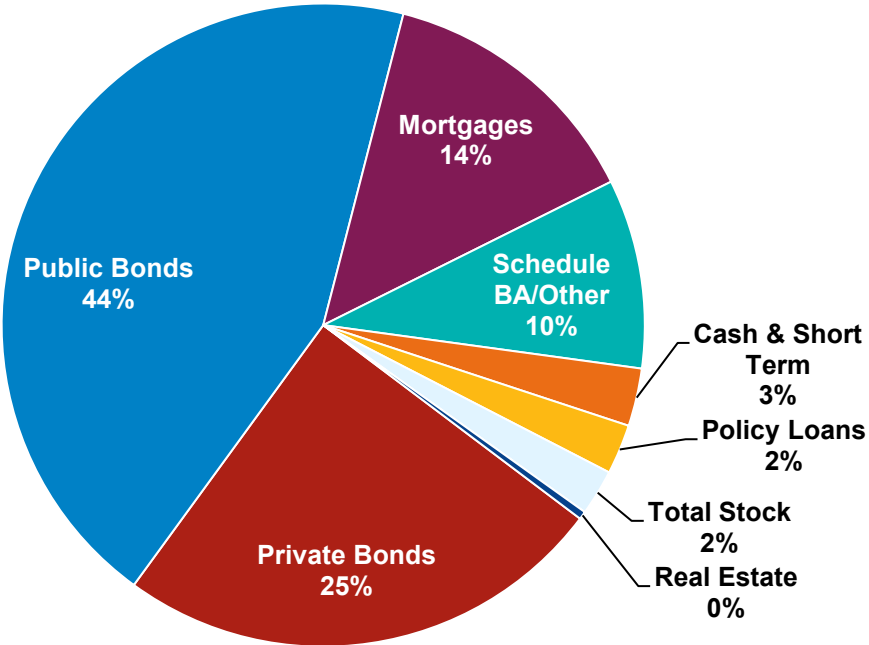


# Balance Sheet – Invested Assets

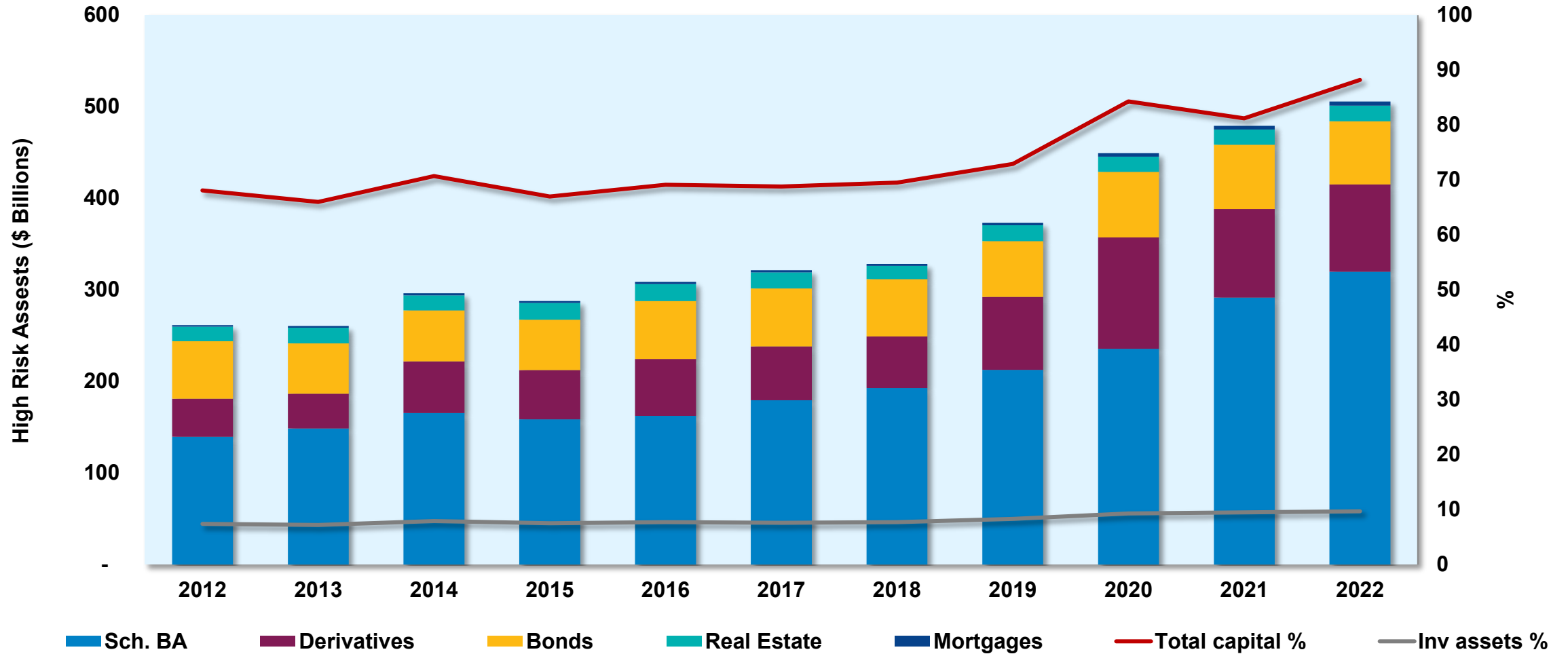
2018



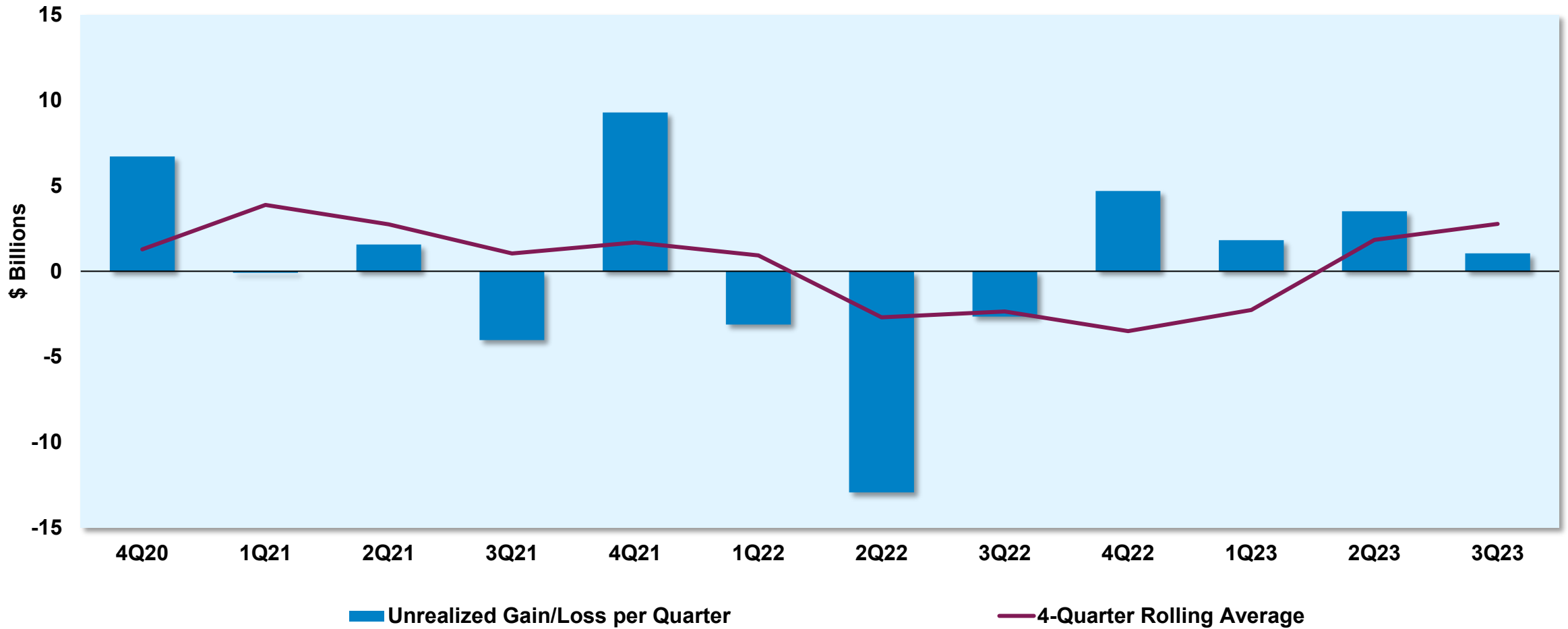
3Q23



# High-Risk Asset Exposure



# Statutory Unrealized Stock and Bond Gains/Losses



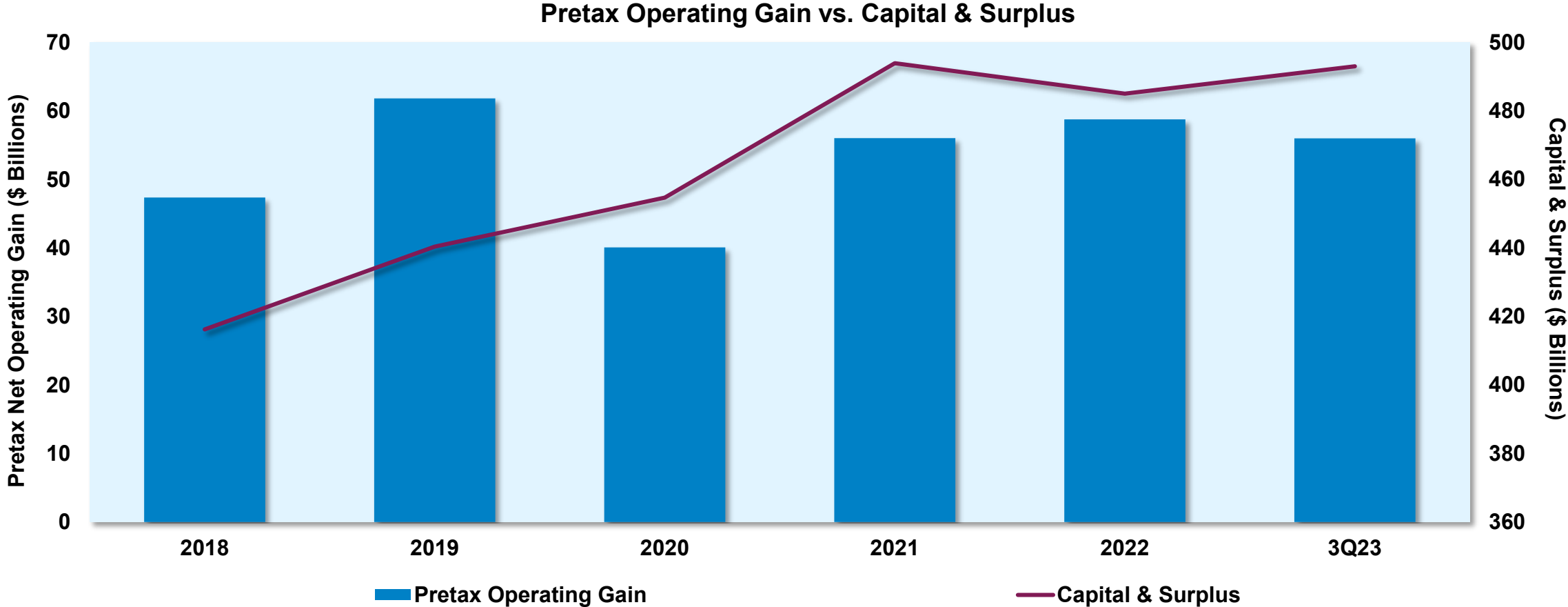
## Polling Question #1

What investment class are you most concerned about?

- a) CLOs
- b) CMBS
- c) Commercial Mortgage Loans
- d) Private Bonds
- e) Other



# US Life/Annuity Performance



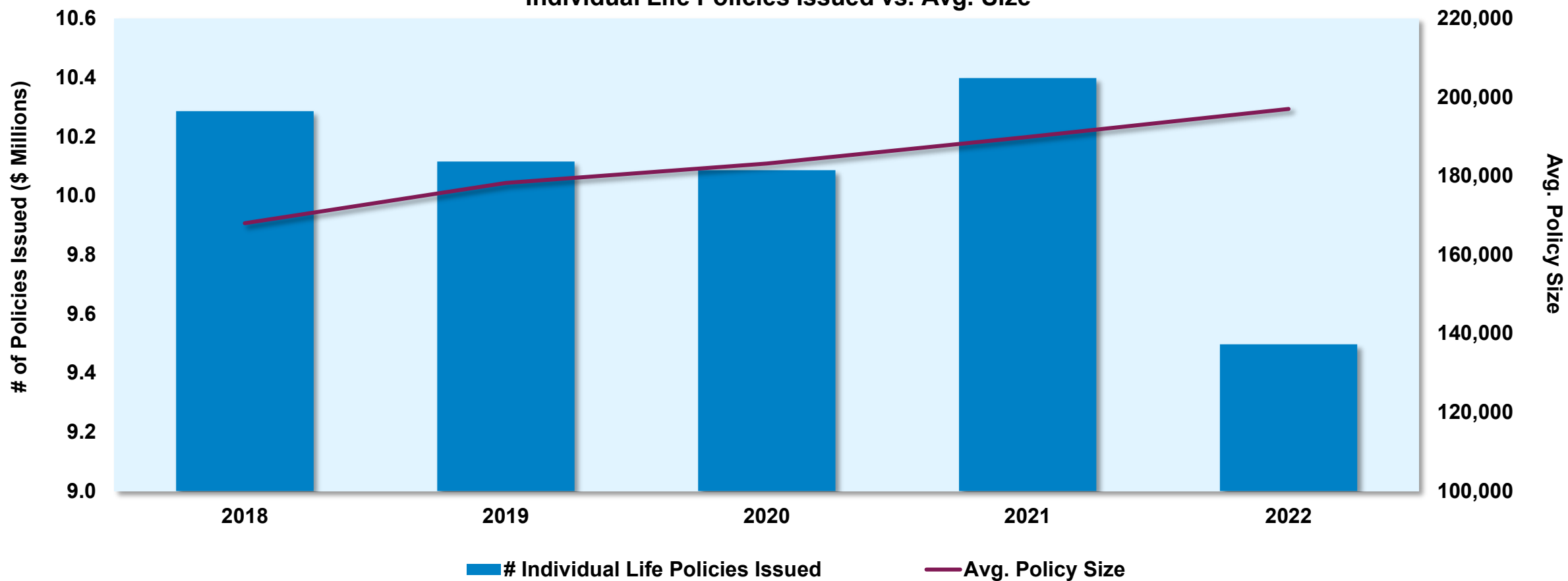
## Direct Premiums Written (\$ Billions)

	2018	2019	2020	2021	2022	3Q22	3Q23	3Q % Change
Ordinary and Group Life	185.3	193.5	192.0	210.9	213.8	157.8	156.5	-0.8
Individual Annuity	213.2	223.0	211.5	243.3	286.2	206.3	244.5	18.5
Group Annuity	146.2	148.1	163.1	160.2	176.6	137.9	108.7	-21.2
Group A&H	134.9	141.1	140.9	144.4	140.9	105.2	112.2	6.7
Individual A&H	62.6	64.5	68.8	71.9	71.9	55.9	58.8	5.2
Credit	1.7	1.7	1.4	1.5	1.5	1.1	1.1	-6.3
<b>Total</b>	<b>743.8</b>	<b>771.9</b>	<b>777.8</b>	<b>832.1</b>	<b>890.8</b>	<b>664.1</b>	<b>681.7</b>	<b>2.6</b>

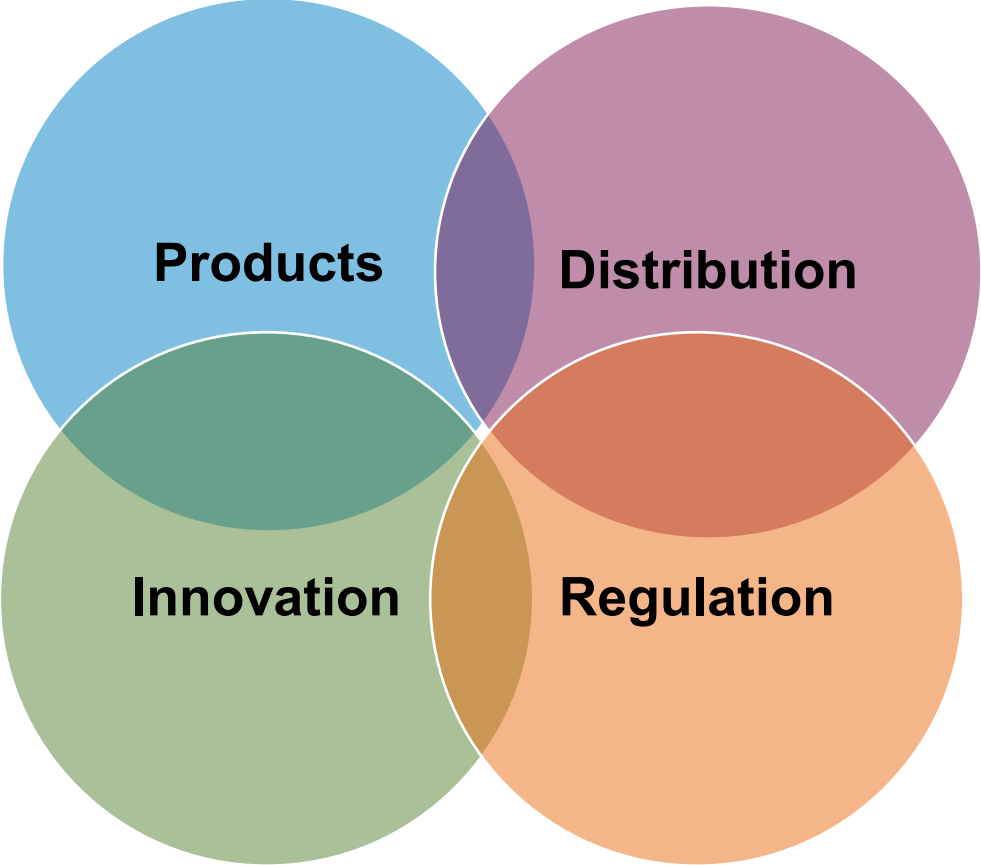


# Ordinary Life – Increases in Policy Size

Individual Life Policies Issued vs. Avg. Size



# Business Profile



## Polling Question #2

To what extent is your company using AI, including ChatGPT, Bing Chat, Google Bard, Midjourney, or DALL-E?

- a) Not at all
- b) We are still evaluating its use and effectiveness and how to integrate into underwriting and corporate operations
- c) Yes, we have scaled and operationalized solutions, while establishing strict risk management guidelines about what is permitted and prohibited use



# Enterprise Risk Management

**ERM Framework**

**Risk Evaluation**

**Emerging Risks**

## Polling Question #3

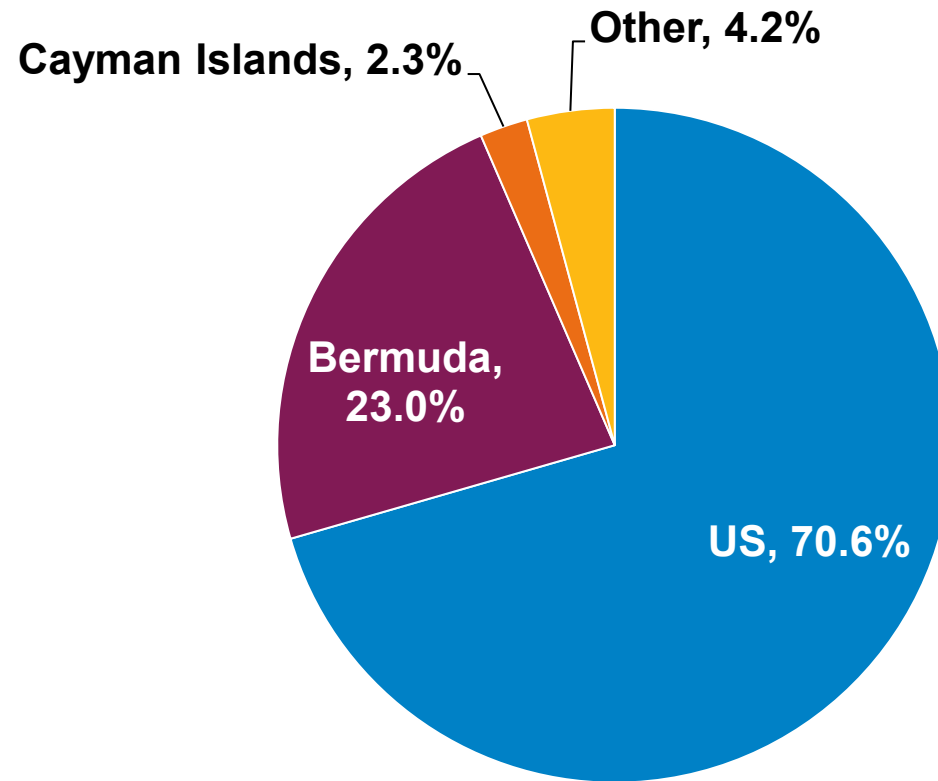
Have you implemented any of the following liability management strategies:

- a) Increased offshore third-party reinsurance
- b) Increased affiliated reinsurance
- c) Retaining more business/decreasing use of reinsurance
- d) No strategy change



\*Please select the one answer that best applies

# Reinsurance Trends 2022 – Domicile Reserve Credit



Based on Total Reserve Credits Taken

# Life Mergers & Acquisitions

Drivers To Sell	Drivers To Acquire
<ul style="list-style-type: none"><li>• ERM</li><li>• Cash flow testing results/reserving</li><li>• Desire to unwind underperforming blocks</li><li>• Costs related to insurtech and regulatory compliance</li></ul>	<ul style="list-style-type: none"><li>• Lack of organic growth</li><li>• Need to innovate</li><li>• Diversification into asset management and reinsurance</li><li>• Use of excess capital and inorganic growth strategies</li><li>• A way for new players in market to grow</li></ul>

## Transaction Themes

Legacy blocks

Distribution growth

Technology expansion

# Regulatory/Accounting

IFRS 17

LDTI

NAIC RBC

DOL Updates



# Q&A



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