

Our Insight, Your Advantage™

May 7, 2024

Market Segment Outlook: Global Life Reinsurance

**AM Best is
maintaining its
Stable outlook
for the global
life reinsurance
segment as
mortality settles in
post-COVID**

AM Best is maintaining a Stable outlook for the global life reinsurance segment, owing primarily to the following factors:

- Mortality in 2023 that appears to have leveled off, though it is still elevated relative to pre-pandemic levels
- A market that is traditionally concentrated in a handful of experienced and well capitalized global companies
- Persistently healthy levels of risk-adjusted capital and liquidity

Counterbalancing factors include the following:

- The emergence of offshore reinsurance and new participants with shorter track records
- The potential for economic disruption, including inflation concerns that remain
- Continued uncertainty surrounding longer-term impacts on mortality

Mortality Remains Manageable

Mortality rates appear to have stabilized in the post-COVID-19 environment. Established reinsurers are well placed to pay current mortality claims, but whether mortality will return to lower, pre-COVID levels is uncertain. As such, it is unclear what the appropriate mortality assumptions are for pricing new mortality reinsurance. Problems such as liver disease, drug use, diabetes, and suicide present a challenge in pricing life reinsurance new business, especially in the younger, working age segments of the market.

Concentrated Market with Established Global Players

The global life reinsurance market has been concentrated in relatively few global participants holding the majority of market share. This has been a long-term trend owing to consolidation over the past few decades. Relationships built over many years offer these participants a competitive advantage over new entrants, as well as operating scale and the benefit of better risk management. Life reinsurers have long been viewed as business partners that offer services beyond risk transfer solutions. Most of the largest life reinsurance carriers also write non-life reinsurance for diversification. Life reinsurance, however, accounts for a significant share of their gross premiums written, most of which is generated in the United States. In light of their strong market positions, leading life reinsurers have maintained moderate premium growth and reliable earnings from their seasoned mortality books of business despite the post-pandemic environment.

Increased Focus on Off-Shore Reinsurance

The number of off-shore life and/or annuity reinsurers has increased in recent years. These new market participants have focused on annuity reinsurance, asset intensive reinsurance, and block

Analytical Contact:

Michael Porcelli, Oldwick
+1 (908) 882-2250
Michael.Porcelli@ambest.com
2024-041

transactions of legacy books of business rather than the more traditional mortality business. With this new group of participants comes a variety of business models, management talent, capitalization, and risk management capabilities. Over the long run, we expect that as we evaluate the need for additional due diligence related to this trend, the better-run companies will emerge. We continue to monitor developments in all relevant jurisdictions in this space.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best's Market Segment Outlook can be Positive, Negative, or Stable.

Best's Market Segment Outlook

Positive	A Positive market segment outlook indicates that AM Best expects market trends to have a positive influence on companies operating in the market over the next 12 months. However, a Positive outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Positive.
Negative	A Negative market segment outlook indicates that AM Best expects market trends to have a negative influence on companies operating in the market over the next 12 months. However, a Negative outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Negative.
Stable	A Stable market segment outlook indicates that AM Best expects market trends to have a neutral influence on companies operating in that market segment over the next 12 months.

We update our market segment outlooks annually but may revisit them at any time during the year if regulatory, financial, or market conditions warrant.

Copyright © 2024 A.M. Best Company, Inc. and/or its affiliates. All rights reserved. No portion of the content may be reproduced, distributed, or stored in a database or retrieval system, or transmitted, or uploaded into any external applications, bots or websites, including those using artificial intelligence technologies such as large language models and generative AI in any form or by any means without the prior written permission of AM Best. AM Best does not warrant the accuracy, completeness, or timeliness of the AM Best content. While the content was obtained from sources believed to be reliable, its accuracy is not guaranteed. You specifically acknowledge that neither AM Best nor the content gives any investment, financial, tax, insurance, or legal advice. You are solely responsible for seeking competent professional advice before making any investment, financial, tax or insurance decision. For additional details, refer to our Terms of Use available at the AM Best website: www.ambest.com/terms.

Published by AM Best

BEST'S MARKET SEGMENT REPORT**A.M. Best Company, Inc.**
Oldwick, NJCHAIRMAN, PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENT & TREASURER **Cynthia Young**
SENIOR VICE PRESIDENT **Lee McDonald****A.M. Best Rating Services, Inc.**
Oldwick, NJPRESIDENT & CEO **Matthew C. Mosher**
EXECUTIVE VICE PRESIDENT & COO **James Gillard**
EXECUTIVE VICE PRESIDENT & CSO **Andrea Keenan**
SENIOR MANAGING DIRECTORS **Edward H. Easop, Stefan W. Holzberger, James F. Snee****AMERICAS****WORLD HEADQUARTERS**A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200**MEXICO CITY**A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720**EUROPE, MIDDLE EAST & AFRICA (EMEA)****LONDON**A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264**AMSTERDAM**A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420**DUBAI***A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC**HONG KONG**A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400**SINGAPORE**A.M. Best Asia-Pacific (Singapore) Pte. Ltd
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000

Best's Financial Strength Rating (FSR): an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts.

Best's Issuer Credit Rating (ICR): an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

Best's Issue Credit Rating (IR): an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis (obligations with original maturities generally less than one year).

Best's National Scale Rating (NSR): a relative measure of credit-worthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.

Rating Disclosure: Use and Limitations

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AM Best.