Do US Life Insurance companies need to dial 9-11? Extra deaths in 2022 combined with massive (paper) losses on investment portfolios = ball-park losses of 911 billion bucks?

Peter Halligan
Mar 1

ERRATA: JEFF AND BRUCE HAVE POINTED OUT THAT LIFE COMPANIES HAVE JUST 10% IN EQUITES, SO THE INVESTMENT LOSS IS CLOSER TO 1/2 A TRILLION RATHER THAN OVER 870 BILLION BUCKS!

Let me preface this article with all the usual caveats around assumptions and "ball-park" estimates. Changing any of the numbers and assumptions will result in large changes – up or down – in outcomes!

Taking some numbers for the average value of life policies from here:

Life Insurance and Life Settlement Statistics for 2023 (harborlifesettlements.com)

And combining those with excess mortality numbers for the last three years from here:

Preliminary US mortality for 2022 indicates that around 560,000 more Americans are dying every year compared to 2018-2019 (substack.com)

And some Life Insurance coverage levels for the US from here:

Life Insurance Statistics (2023) - United States Industry Facts And Figures (insurist.com)

We can "ball-park" some numbers for the costs to Life Insurance companies in the US from the C19 pandemic.

Average value of a Life policy is $168,000, extra deaths are around 560,000 for three years and half of Americans have some form of Life insurance.

Let's make a simplifying assumption that half of the extra deaths were insured.

$168,000 times 280,000 deaths times 3 years = around 141 billion dollars.

I will take just one third of that number for calendar year 2022 policy pay-outs = 47 billion bucks.

Not that you should, but did you know you could sell your Life Insurance policy?

Life Insurance companies – as with any other well-run company – should match the assets with liabilities. This means that maturity ladders of actuarially determined deaths by year, should be matched with, say fixed income (ideally zero coupon bonds) that at least match those annually expected deaths into the future.

The [illegible] HarborLifesettlements link above) is e[illegible] the average policy value of $16[illegible] rance policies! Something ain't righ[illegible]

Let[illegible]

The[illegible] Ways) | GetSure

The[illegible] ween them in 2019. The assets wo[illegible] as a howler of a year for US inv[illegible]

Als[illegible] Life Insurance companies.

I w[illegible] ue of 5.2 trillion bucks can be used to work out the contribution that may have been made to Life Insurance companies bottom line just over 2022 from investment returns.

Keep in mind that this is not the case for 2020 or 2021.

So, how have investment returns impacted the profitability of Life Insurance companies over 2022?

From here:

Out of interest: S&P500 down 20%, Nasdaq down a third for their worst year since 2008. Ten year Treasury yields up 1.5% (loss of 10%) (substack.com)

And making yet another heroic simplifying assumption (ball-park remember?) that Life Insurance companies operate the old "60/40" equity/bond portfolio split, during 2022, Life Insurance companies lost 60% x the S&P500 loss of 20% and 10% on their 40% bond portfolios. So around 16% - a sixth of their investment portfolios.

A sixth of 5.2 trillion representing assets of the top 25 US Life Insurance companies?

Around 870 billion bucks.

Combine that with just one third of the three year estimate of extra Life policy pay-outs of 41 billion bucks and your get around 911 billion bucks.

Onwards!

Please subscribe, or donate a coffee (I drink a lot of coffee) - “God Bless You!” if you can’t or don’t want to contribute. Coffee donations here: https://ko-fi.com/peterhalligan

29 Comments

Write a comment…

Andy Bunting Writes Andy’s Skint Older Blokes Musin… Mar 3

Yet another massive financial crash underway?

2 Reply Gift a subscription Collapse

1 reply by Peter Halligan

Joe Q Public Writes Joe’s Substack Mar 2 · *edited Mar 2*

Depopulation and replacement by illegal non-vaccinatted is underway.

1 Reply Gift a subscription Collapse

27 more comments…