

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the left and right sides of the frame, creating a modern, dynamic feel. The central area is white, providing a clean space for the text.

Insurance Capital Markets through the Pandemic

David Jackson

Core Topics

- ▶ What capital markets options are there for insurance companies and how are they used?
- ▶ How do you take a transaction from ideation to execution?
- ▶ How did COVID impact the debt market and opportunities available to insurance companies?

Insurance Debt Capital Markets

- ▶ Debt and hybrid issuances of public and mutual insurers
- ▶ Differentials between Life/P&C, senior/subordinated notes, surplus notes
- ▶ Types of Investors

Insurance
Companies

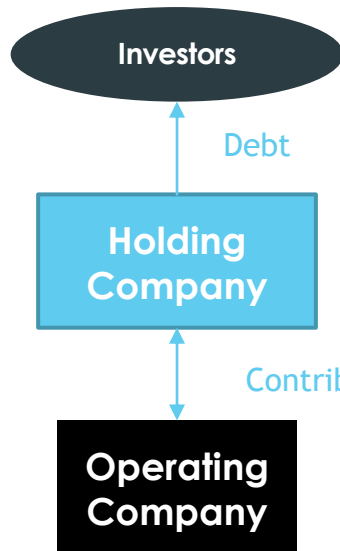
Pension
Funds

Asset
Managers

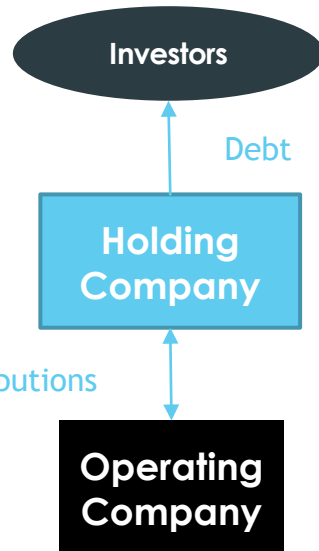
Hedge
Funds

Insurance Company Capital Structures

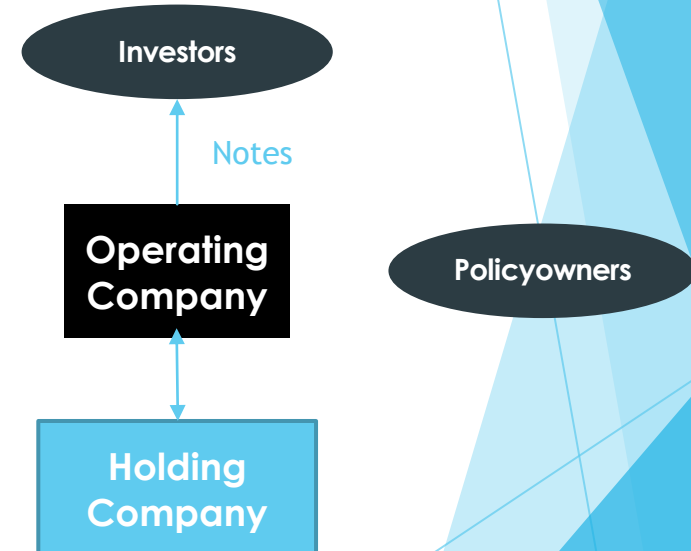
Public Insurer



Mutual Holding Company



Mutual Operating



Issuance

Senior Debt
Common/Preferred Equity

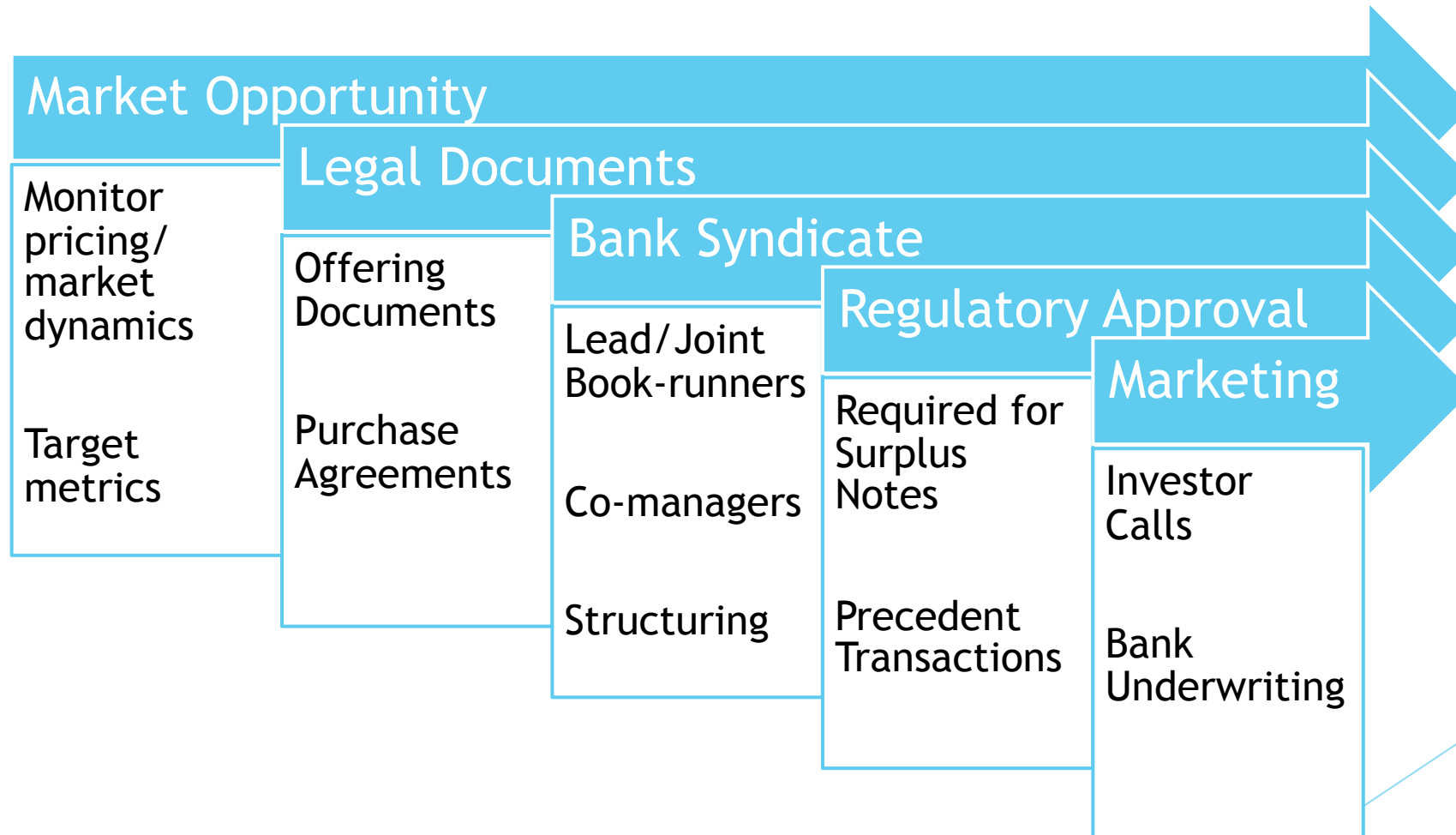
Senior Debt, Surplus Notes
Common/Preferred Equity

Surplus Notes
Intermediate HC Equity

Debt Capital Markets Alternatives

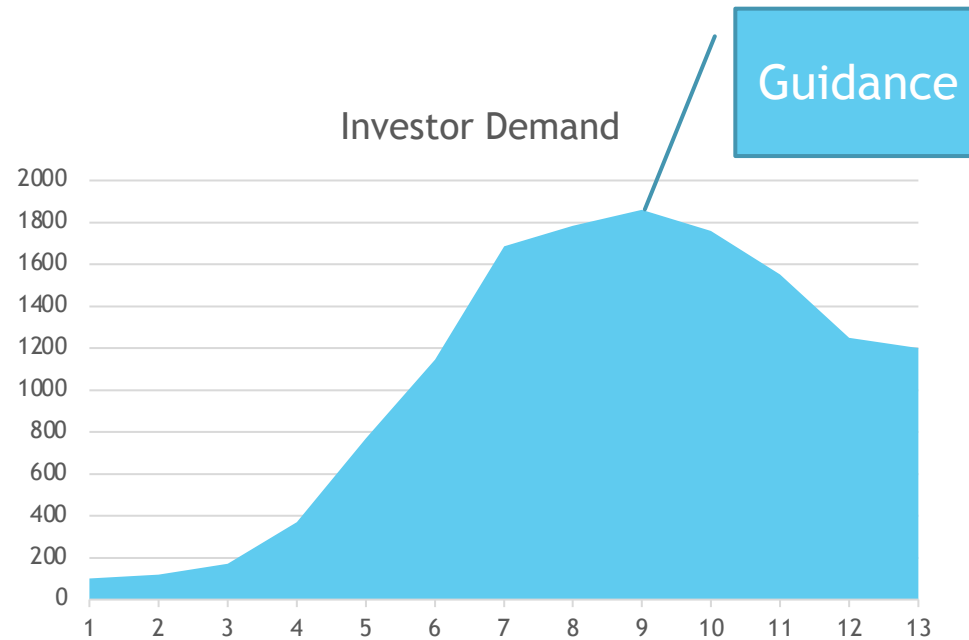
Senior Debt	Deferrable Sub.	Preferred Stock	Surplus Notes	OpCo Guarantee
Issued by HoldCo	Issued by HoldCo	Issued by HoldCo	Issued by OpCo	Issued by OpCo
Short term	Long term	Perpetual (callable)	Long term	Short term
No Rating Agency Equity Treatment	Rating Agency Equity Treatment	Most Rating Agency Equity Treatment	Rating Agency Equity Treatment	No Rating Agency Equity Treatment
Cheapest	Coupon Deferral	Expensive	Moderately Expensive	No impact to Capital

Transaction Process



Book Build Process

- ▶ Initial Price Talks (IPTs) (Early Morning)
- ▶ Guidance (Early Afternoon)
- ▶ Pricing (Afternoon)

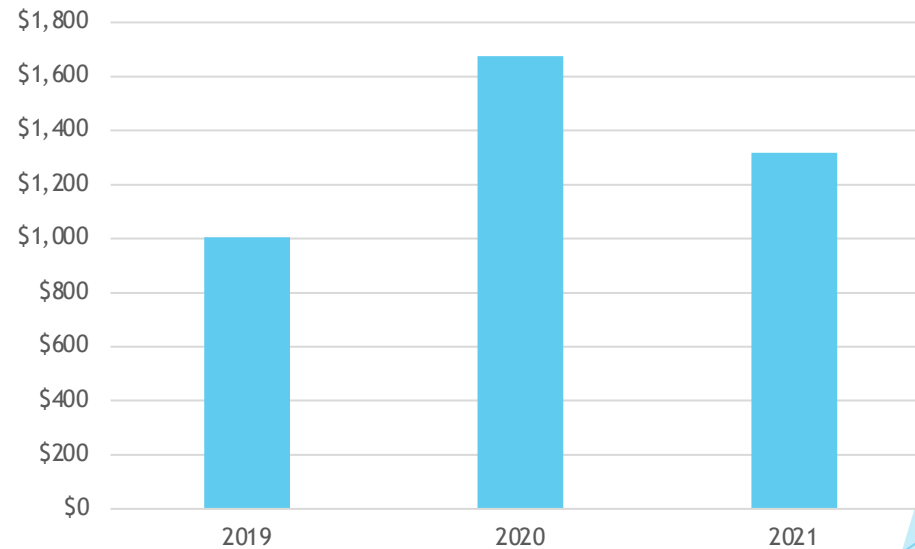


2020 Record Debt Issuance Market

- ▶ Record-setting Insurance Issuances
- ▶ Wide spreads on record low rates
- ▶ Heavy volatility in achieved levels

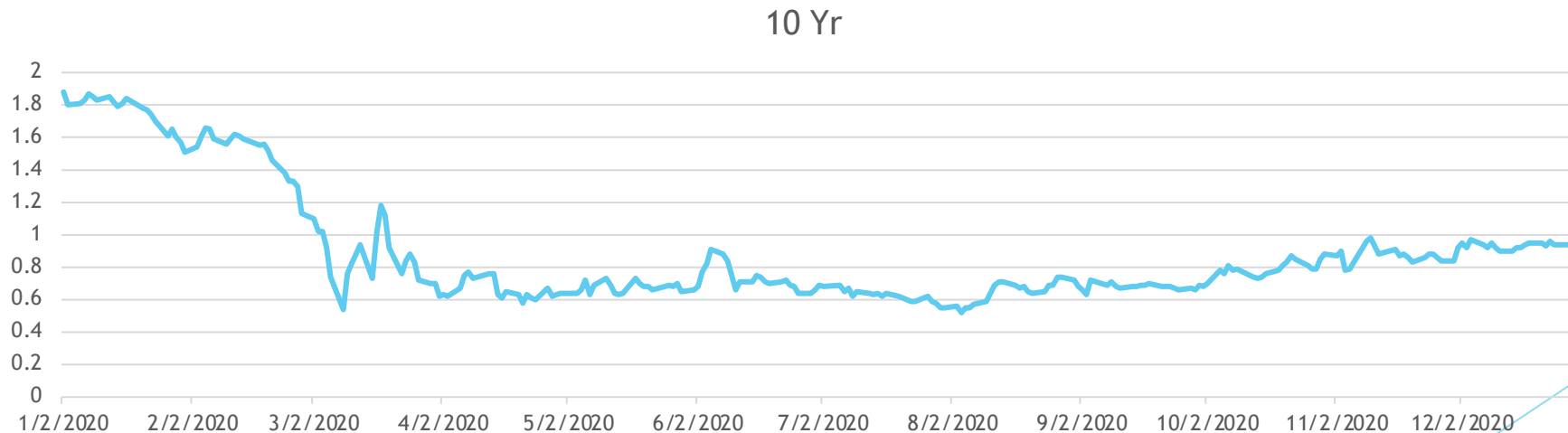
Cumulative Financial Institutions Issuance

(\$ Billions)



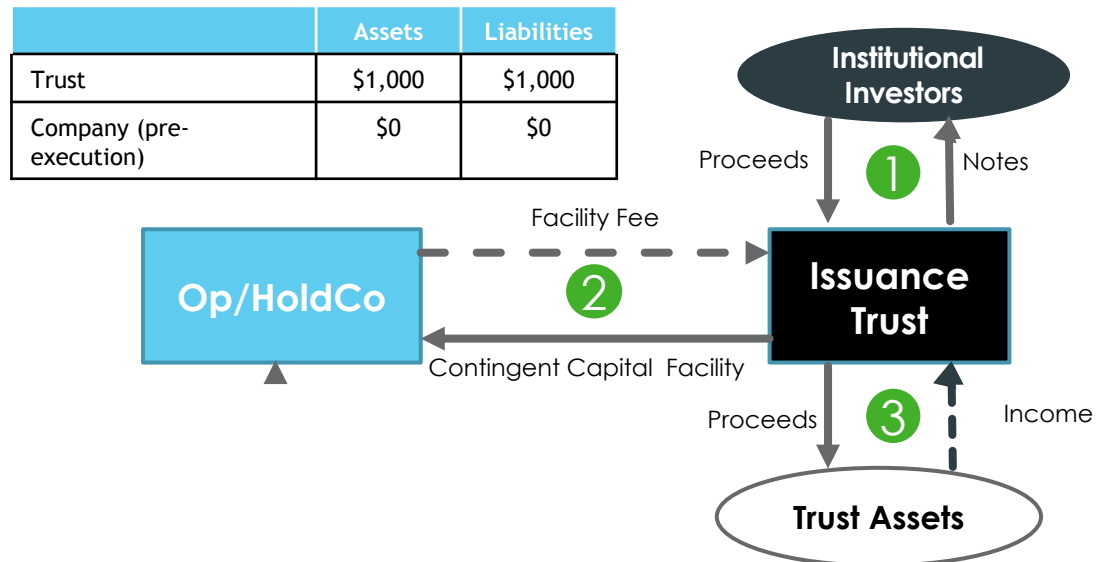
Pandemic Impacts on Markets

- ▶ Significant volatility in rates and spreads through the early pandemic
- ▶ Significant benefit to debt capital markets from Fed support
- ▶ April/May Transaction Examples: NYL 30 year (T+240); MM 30 year (T+200); Nationwide (T+310); TIAA (T+200)



P-Caps Structure

- ▶ Provides access to capital instruments at pre-defined terms / pre-funded basis
- ▶ Avoids high debt issuance costs in the midst of market volatility; trust assets have the opportunity to appreciate
- ▶ Popularized during the financial crisis and the pandemic



P-Caps Issuance History

- ▶ Nationwide issued P-Caps pre-financial crisis, executing the facility during
- ▶ Prudential executed their P-Caps post-financial crisis, re-establishing during the pandemic (T+215)
- ▶ MassMutual priced the P-Caps in 2019, executing through the pandemic
- ▶ New issuers include National Life of Vermont (\$750 million at T+205)
- ▶ Unum (\$400 million at T+220) priced on November 9th, 2021