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# Wind of change hits insurers

## Climbing volume despite huge catastrophe losses.

### Insurance debt reaches record-high

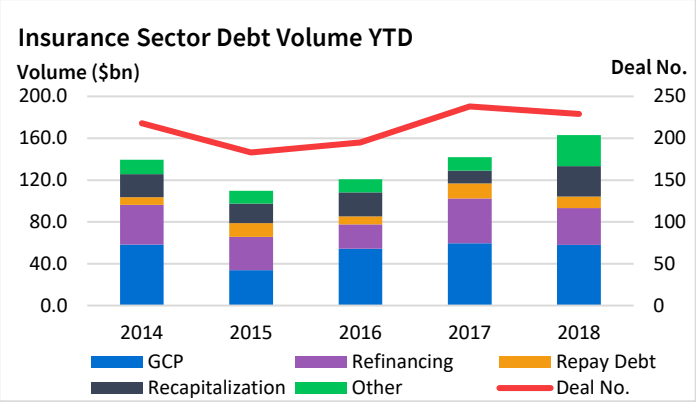
The insurance industry is exposed to uncertainty, like catastrophe losses, regulations, and compliance requirements, which nowadays results in extremely high costs. For instance, Hurricane Michael will cost $6bn-$10bn for US insurance companies and the season is not over yet.[1] Regulation-wise, last December's US tax reform saw both domestic and multinational insurers face new challenges and forced them to significantly restructure (thanks to the new BEAT minimum tax). Though deal activity in the insurance sector is down 4% year-on-year, volume is up 15% to a YTD record of $163.1bn this year—on the back of declines of 14.8bps for average margins and 23.4bps for average spreads, compared to 2017 YTD.[2] New debt has also driven volume this year (up 38% year-on-year), while refinancing has dropped 20% over the period. Meanwhile, deals for recapitalization purposes more than doubled in volume to $29.1bn from $12.2bn last YTD.

Among world regions, EMEA has seen the most notable uptick, with volume of $51.9bn having already surpassed full-year 2017 by 28%, the highest YTD level on record. The increase is primarily attributed to an $11.0bn acquisition bridge facility from AXA in March. The life insurance sub-sector in EMEA has seen volume quadruple year-on-year to $21.3bn on the back of deals for Generali ($4.7bn IG loan), AXA ($3.8bn IG bond), and AEGON ($2.5bn IG loan). Globally, life insurance volume has increased 33% over the period to a record $51.8bn.

The insurance sector is historically dominated by investment grade deals, and this year is no exception with $130.1bn worth of IG volume which is up 19% compared to 2017 YTD. Non-IG issuance totals $33.1bn but has grown by 59% in the last 10 years. DCM and syndicated lending volumes are on par, with both standing at $81.6bn (compared to $77.5bn and $64.5bn in 2017 YTD, respectively).

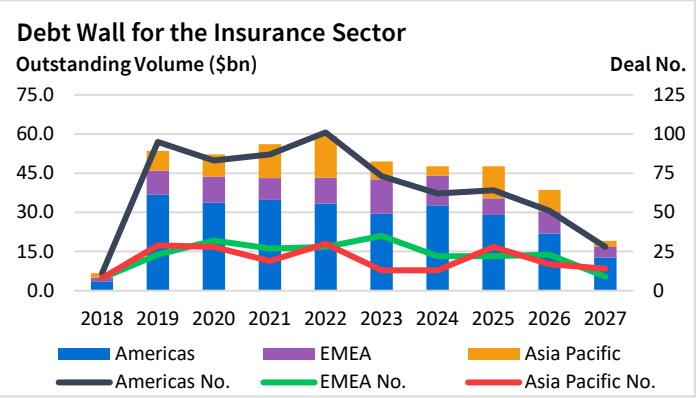
**Top insurance debt tranches maturing in 2020**

| Borrower | Tranche Value | Tranche Currency | Deal Type | Sub-sector |
|---|---|---|---|---|
| Generali Group | $1.7bn | Euro | IG Bond | Life |
| Tokio Marine & Nichido Fire Insurance Co Ltd | $1.4bn | US Dollar | IG Loan | Property & Casualty |
| Chubb INA Holdings Inc | $1.3bn | US Dollar | IG Bond | Brokers |
| Achmea BV | $1.0bn | Euro | IG Bond | Multi-line |
| Metropolitan Life Global Funding I | $1.0bn | US Dollar | IG Bond | Life |




### IG dominates the debt wall

Globally, a total of $430.1bn worth of insurance debt will come due by 2027 via 1,083 deals. Companies from the Americas account for the majority with $267.7bn from 655 deals. A quarter of the total debt burden is owed by the top 10 indebted insurance companies, such as MetLife with a notable $30.3bn. The outstanding debt due by 2027 is dominated by IG deals with an 82.0% share, while DCM outnumbers syndicated lending by 4.2 times. From an industry perspective, life insurance firms have built up the most debt with $148.5bn due by 2027, followed by multi-line insurers, and brokers with $125.8bn and $79.9bn, respectively.

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1. AIR Worldwide: https://www.air-worldwide.com/Press-Releases/AIR-Worldwide-Estimates-Insured-Wind-and-Storm-Surge-Losses-for-Hurricane-Michael/
2. Corporate debt comprises high-yield (HY) and investment grade (IG) bonds, alongside IG and leveraged loans.
Data source Dealogic, as of October 18, 2018