

March 2020

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Purchase Rates Continued Dropping In February

The immediate annuity purchase rate was down 29 basis points from 1.96% to 1.67%, while the deferred purchase rate was down 27 basis points from 2.15% to 1.88%. The highest rate for immediate annuities was 2.04%, down 29 basis points, while the highest deferred rate was 2.17%, down 19 basis points. The drop in annuity rates is due entirely to a drop in treasury yields.

In February, treasury yields continued a dramatic decline. 10 Ten Year treasury yield decreased from 1.51% to 1.13%, a decrease of 38 basis points, while the 30 Year treasury yield decreased from 1.99% to 1.65%, down 34 basis points. Two Year treasury yields dropped from 1.33% to 0.86%, a 47 basis point decrease. The shortest T-bill yields exceeded treasury bond yields up to the 20 year.

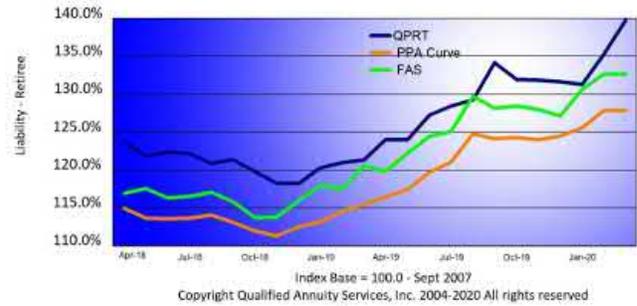
US and Foreign equity markets were down significantly in February. The S&P 500 was down 8.1% while aggregate foreign market indexes were down 6.6%. Year-to-date at the end of February S&P 500 was down 8.1% while foreign markets were down 9.8%. Since the end of February, stocks have had a rough go of it with the S&P 500 down 19.6% for the month and 26.1% for the year. Foreign markets are down 24% for the month and 31.6% for the year. The coronavirus strain is now a Global Pandemic and procedures to control the virus have changed everyday life in a profound and simply unimaginable way from just a few weeks ago. Russia and Saudi Arabia entered into a price war on oil, which is now around \$30 per barrel, a level at which fracking is not profitable. In a dramatic turnaround, Joe Biden has regained momentum and is now the favorite to win the democratic nomination.

A Quick Look: How Coronavirus Impacts Insurers

One quick way to assess the impact on insurers is to look at the stock prices of the public companies, and in a quick review of seven publicly traded companies, the stocks were down in the 45-55% range. Insurance stocks are generally more volatile than the market and, with a market drop of 26% on average, the insurers are close to twice the market drop. Concerns over credit downgrades and other investment losses caused by the containment

QAS Pension Risk Transfer 1000 Index®

Apr 2018 to Mar 2020 - Relative Price PRT v. PPA Curve - FAS



efforts, the low level of interest rates for the annual premium products and products with high minimum rate guarantees, lower fees on investment products and the potential for insurance claims are a few concerns. QAS will continue to track insurers as things develop. For more information on selecting providers, give QAS a call.

Rates

Since our last newsletter the Fed has dropped rates twice with the Fed Funds Target Range now at 0-25 basis points. Since the end of February, treasury rates have continued to decrease. The 10 year yield is down to just 73 basis points, while the 30 year yield is 1.34%. The 2 year treasury is 36 basis points. Spreads are widening as concern of credit losses and downgrades increase. Insurers are usually a little quicker to get the drop in treasuries in their institutional product pricing than the increase in credit spreads, so hopefully the drop won't be one-for-one. Be well.

PRT Trax Index +/-	
12 mo Hi-Lo %	+/- 15.2%
YTD %	+ 6.2%
3 mos %	+ 6.2%
1 mo %	+ 3.3%

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Date	Immediate	High	+/-	Deferred	High	+/-
March 2020	1.67%	2.04%	-0.29%	1.88%	2.36%	-0.29%