Figure 1.10. Changes in Life Insurance Companies’ Business Models

Facing investment spread compression, life insurers in Germany, Japan, and the United States have reduced guaranteed returns ...

1. Average Investment Returns and Guaranteed Returns
   (Percent, on existing portfolios)

2. Changes in Insurance Product Mix
   (Percent)

3. European and US Life Insurers: Bond Asset Allocation
   (Percent)

4. Japanese Life Insurers’ Investment Portfolio
   (Percent)

Sources: Bundesbank; NLI Research Institute; and Office of Financial Research.
Note: bps = basis points.

Sources: European Insurance and Occupational Pension Authority; Life Insurance Association of Japan; and Life Insurance and Market Research Association.

Sources: SNL Financial; and IMF staff estimates.
Note: Not IG = noninvestment grade: bonds with ratings lower than BBB–; NR = not rated. NR and other may include some loans.

Search for yield, US and European life insurers have invested more in lower-rated bonds ...

... and have been gradually changing their product mix.

... and Japanese life insurers have increased duration and holdings of foreign bonds.

Source: Bank of Japan.