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Ameritas Life Insurance Corp.

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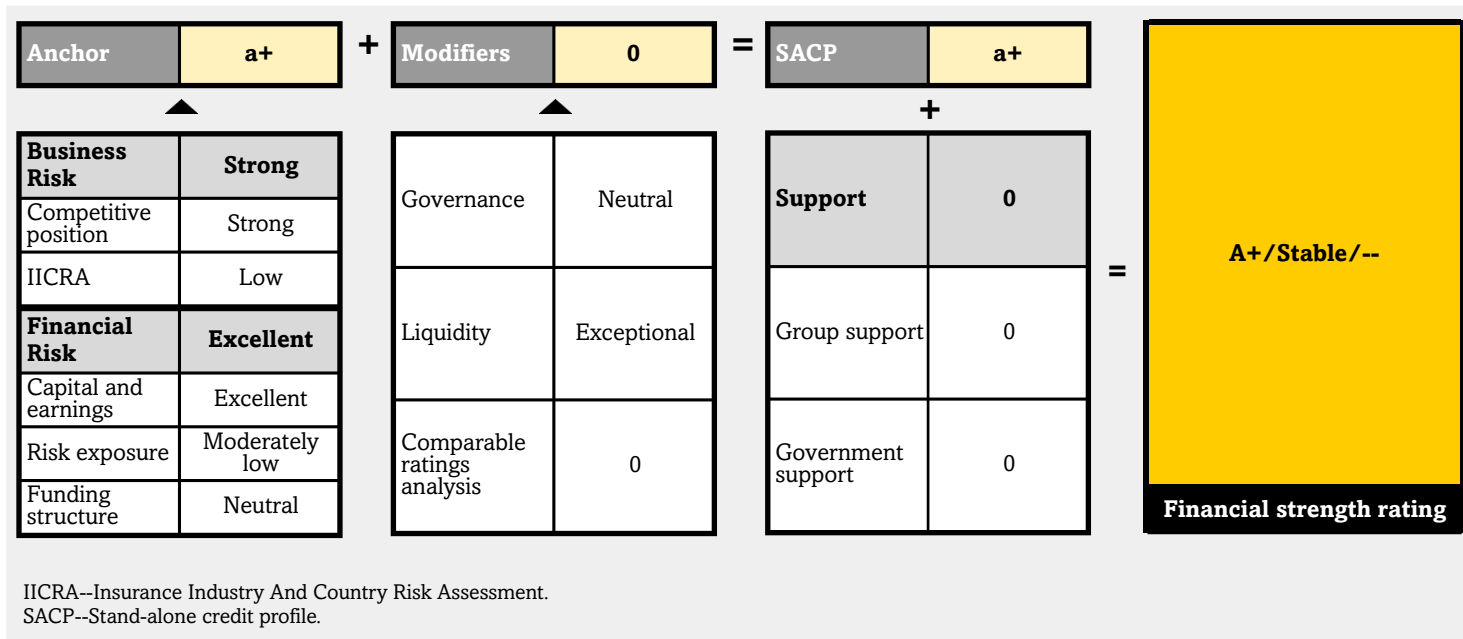
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Ameritas Life Insurance Corp.



Credit Highlights

Overview	
Strengths	Risks
Diversified portfolio of products and services	Diversification provides for stable earnings; however, strategy has resulted in recent earnings volatility among business segments
Flexibility in responding to market conditions	Operating performance on par with peers, but low profitability relative to life sector
Excellent capital and earnings with expected redundancy at 'AAA'	Uncertain macroeconomic factors resulting from COVID-19 pandemic
Exceptional liquidity	

Ameritas Life Insurance Corp. maintains a strong competitive position supported by its diversified products and broad geography. Individual insurance and annuities form a large portion of Ameritas' sales while its group dental segment, ranking as the fourth largest provider, has emerged as a major contributor to growth. Its operating performance is in line with S&P Global Ratings' base-case expectations.

We anticipate the financial risk profile of Ameritas will continue to remain a strength despite potential volatility in prospective earnings. S&P Global Ratings' assessment of Ameritas' capital and earnings as excellent is a key ratings strength, and we expect the company to maintain capital in excess of what we expect for the rating.

Ameritas tends to operate fairly conservatively. This is evident in its moderate financial leverage, a relatively simple product portfolio, and a diverse investment portfolio. The company has exceptional liquidity owing to a highly liquid asset portfolio.

Outlook: Stable

The stable outlook reflects our expectation that the group will maintain a strong business risk profile and excellent financial risk profile. We expect operating performance and capital adequacy to be consistent with our base-case economic forecast.

Downside scenario

We could lower our ratings in the next 24 months if, contrary to our expectations, capital adequacy falls below the 'AA' confidence level, according to our capital model, and we expect it to remain there; or if Ameritas boosts its allocation to what we view as higher-risk assets, indicating an increase in its risk exposure tolerance. We could also lower our rating if the group's competitive position or operating performance weakens, relative to similarly rated peers.

Upside scenario

We are unlikely to raise our ratings in the next 24 months because we do not expect the group's operating performance or market position to outperform our expectations or peers.

Key Assumptions

- U.S. real GDP growth of 4.2% in 2021 and 3.0% in 2022
- 10-year Treasury rate at about 1.4% in 2021 and 1.7% in 2022
- Consumer Price Index growth of 1.9% in 2021 and 1.8% in 2022
- Unemployment rate of 6.4% in 2021 and 5.6% in 2022

Source: "Economic Research: Staying Home For The Holidays," Dec. 2, 2020

Table 1

Key Metrics						
	2023f	2022f	2021f	2020	2019	2018
S&P Global Ratings capital adequacy	AAA	AAA	AAA	AAA	AAA	AAA
Net premiums and annuity considerations	>3,300	>3,300	>3,300	3,335.84	3,298.67	2,910.83
Return on capital and surplus (%)	2.0-3.0	2.0-3.0	2.0-3.0	2.39	4.71	3.88
Return on assets (excluding investment gains/losses) (%)	0.1-0.3	0.1-0.3	0.1-0.3	0.20	0.36	0.11
Total invested assets (including affiliated investments)	>15,000	>15,000	>15,000	15,330.41	14,337.27	13,512.02
Capital and surplus	>1,800	>1,800	>1,800	1,777.79	1,693.25	1,510.63
Financial leverage including pension deficit as debt (%)	<10	<10	<10	3.01	3.14	3.50
Net investment yield (%)	4.0-5.0	4.0-5.0	4.0-5.0	4.16	4.18	4.28

f--S&P Global Ratings forecast.

S&P Global Ratings believes there remains high, albeit moderating, uncertainty about the evolution of the coronavirus pandemic and its economic effects. Vaccine production is ramping up and rollouts are gathering pace around the world. Widespread immunization, which will help pave the way for a return to more normal levels of social and economic activity, looks to be achievable by most developed economies by the end of the third quarter. However, some emerging markets may only be able to achieve widespread immunization by year-end or later. We use these assumptions about vaccine timing in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Business Risk Profile: Strong

Ameritas benefits from the stable economic growth prospects, effective and stable political institutions, sophisticated financial system, and strong payment culture in the U.S.

Ameritas has a strong competitive position, supported by a diversified product portfolio across three core business segments: individual (life, annuity, disability income, and wealth management); group (dental and vision); and retirement (group annuities). Its individual business has historically contributed the largest to operating income. Ameritas markets its individual and retirement products primarily to middle- and upper-income individuals and businesses in all 50 states.

The group seeks to capture shifts in consumer trends. While this strategy provides flexibility, it can limit potential dominance in a particular business segment. Ameritas maintains a top 25 position in indexed annuities—a key source of growth in the individual segment in recent years—as well as a top five ranking in group dental and top 10 in individual disability income. It operates through noncontrolled distribution channels and focuses more on recruiting general agencies and independent advisors, along with expanding through strategic acquisitions and alliances.

Ameritas manages its product portfolio to address risks associated with the features of its products, including exposure to interest rate risk, guaranteed death benefits, and guaranteed income benefits. Overall, we anticipate stable earnings and profitability metrics to improve as efficiencies from strategic initiatives take effect.

The company quickly shifted to a virtual sales model in 2020 upon onset of the COVID-19 pandemic which led to an increased priority around non-traditional InsurTech partnerships to counteract a potential decline in sales from stay-at-home or shelter-in-place restrictions. The company had technology to support working from home and launching digital platforms, including new business and underwriting process automation. Ameritas also closed an acquisition of a third-party administrator and insurance agency specializing in dental insurance sales and claims processing during the year. S&P Global Ratings considered this rating neutral because it was our view that it was manageable from an integration perspective and the company has a proven record making these tuck-in acquisitions.

Financial Risk Profile: Excellent

We view Ameritas' capital and earnings as excellent and redundant at 'AAA' based on our capital adequacy model. We

expect this to continue, supported by diversified earnings sources and limited dividend activity. While earnings have been volatile the past five years partly because of reinsurance transactions, acquisitions activity, and the disposition of a mutual fund subsidiary, earnings have started to normalize. We forecast that while earnings will stabilize, affects from heightened mortality and somewhat depressed investment portfolio valuations--trends in line with the life insurance sector--earnings could be lower than expected.

We consider Ameritas' risk exposure to be moderately low based on its well-diversified investment portfolio and limited exposure to high-risk assets. The portfolio includes fixed-income securities and commercial mortgage loans (86% of invested assets combined) and is largely investment grade with a weighted-average rating of 'A-' as of year-end 2020. The company was largely unaffected by credit migrations resulting from the macro-economic impact caused by the pandemic. High-risk assets comprise approximately 7% of total invested assets; we consider its high-risk assets to total adjusted capital as neutral. Its portfolio has no material concentrations by sector or obligor and no unhedged foreign-exchange risk.

Ameritas has a neutral funding structure, in our view. Although, as a mutual organization, it has a slight disadvantage versus publicly traded peers. The group can raise capital by issuing debt at the holding company level, in addition to surplus notes in its operating companies. The group currently has one \$50 million note outstanding due 2026 that it issued in 1996, for which we attribute no equity content because there are five years or less to maturity.

Ameritas had low financial leverage of less than 5% at year-end 2020, and we expect it to remain low. Ameritas Life Insurance Corp. is a member of the Federal Home Loan Bank (FHLB) of Topeka and, in 2020, had a board-authorized borrowing capacity of \$350 million (for liquidity) and \$500 million in funding agreements. Ameritas Life Insurance Corp. of New York, a member of the FHLB of New York, has a board-authorized borrowing capacity of \$20 million (for liquidity) and an additional \$30 million in funding agreements. We believe Ameritas has more than sufficient resources to support its existing operations and sensible growth. We believe its excellent capital position and operating prospects give the group ample latitude to fund its strategic initiatives.

Other Key Credit Considerations

Governance

We regard Ameritas' governance practices as neutral in our assessment, reflecting our view of its strategic positioning, financial management, and organizational effectiveness.

We believe its management team has sufficient depth and breadth, extensive industry experience, discipline, and a track record of execution in its key lines. William Lester became CEO in 2020, and is a long-standing executive at Ameritas (37 years). We do not expect a significant change to the company's current strategy or philosophy.

Liquidity

We consider Ameritas' liquidity to be exceptional due to the lack of confidence-sensitive liabilities or contingent collateral-posting exposure.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Insurance | General: Methodology For Assessing Capital Charges For Commercial Mortgage Loans Held By U.S. Insurance Companies, May 31, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Methodology For Calculating The Convexity Risk In U.S. Insurance Risk-Based Capital Model, April 27, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Appendix

Table 2

Ameritas Life Insurance Corp. Credit Metrics History			
Ratio/metric	2020	2019	2018
S&P Global Ratings capital adequacy	AAA	AAA	AAA
Total invested assets (including affiliated investments)	15,330.41	14,337.27	13,512.02
Gross premiums and annuity considerations	3,615.33	3,577.84	3,148.85
Net premiums and annuity considerations	3,335.84	3,298.67	2,910.83
EBIT	52.02	88.34	24.89
Net income (attributable to all shareholders)	41.41	75.40	59.50
Capital and surplus	1,777.79	1,693.25	1,510.63
Return on revenue (%)	1.28	2.17	0.64
Return on assets (excluding investment gains/losses) (%)	0.20	0.36	0.11
Return on capital and surplus (%)	2.39	4.71	3.88
EBIT interest coverage (x)	733.52	1,205.58	327.45
General expense ratio (%)	12.68	12.14	13.86
Financial leverage including pension deficit as debt (%)	3.01	3.14	3.50
Net investment yield (%)	4.16	4.18	4.28

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of March 17, 2021)***Operating Company Covered By This Report****Ameritas Life Insurance Corp.**

Financial Strength Rating

Local Currency

A+/Stable/--

Issuer Credit Rating

Local Currency

A+/Stable/--

Subordinated

A-

Related Entities**Ameritas Life Insurance Corp of New York**

Financial Strength Rating

Local Currency

A+/Stable/--

Issuer Credit Rating

Local Currency

A+/Stable/--

Domicile

Nebraska

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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