

1 OVERVIEW

U.S. life insurance companies sell the vast majority of life insurance and annuities purchased in the United States. Fraternal organizations and federal government agencies are also in the marketplace, and certain Canadian life insurers with U.S. legal reserves are allowed to sell insurance directly from their Canadian offices to U.S. purchasers. Data from Canadian companies are not included in this chapter.

At the end of 2006, 1,072 life insurance companies were in business in the United States (Table 1.1). The number of active companies peaked in 1988 (Table 1.7), and has since fallen steadily, mostly due to company mergers and consolidations. This streamlining has helped to reduce operating costs and general overhead, and has significantly increased efficiency.

ORGANIZATIONAL STRUCTURE

Stock and Mutual Life Insurers

Most life insurers are organized as either stock or mutual companies. Stock life insurance companies issue stock and are owned by their stockholders. Mutual companies are legally owned by their policyholders and consequently do not issue stock.

Stock life insurers can be owned by other stock life insurance companies, mutual life insurance companies, or companies outside the life insurance industry. Only policyholders own a mutual company, however. If a stock company is owned by a mutual company, that stock company is categorized as a mutual company. The majority of life insurers are stock companies—827,

or 77 percent of the industry (Table 1.1). Many life insurers are affiliated with other life and non-life insurance companies in fleets with a single owner.

Besides consolidation, another recent trend in the life insurance industry is demutualization and the formation of mutual holding companies—a structure that allows easier and less expensive access to capital. In creating a mutual holding company, the mutual insurer either starts a stock insurance company or acquires a stock company. For data in this chapter, mutual holding companies are included in the totals for pure mutual companies.

Together, stock and mutual life insurers provide most of the insurance and annuities underwritten by U.S. organizations (Table 1.2). Mutual companies had \$3.4 trillion of life insurance in force in 2006 and stock life insurers, \$15.3 trillion. Fraternal societies and the U.S. Department of Veterans Affairs underwrite the remainder of U.S. insurance.

Other Life Insurance Providers

Fraternal benefit societies provide both social and insurance benefits to their members. These organizations are legally required to operate through a lodge system, allowing only lodge members and their families to own the fraternal society's insurance. In 2006, there were 102 fraternal life insurance companies that had \$293 billion of life insurance in force and \$100 billion in assets (Tables 1.1 and 1.2).

The Department of Veterans Affairs provides protection to U.S. veterans under six insurance programs: U.S. Government Life Insurance, National Service Life Insurance, Veterans' Special Life Insurance, Service-Disabled Veterans Insurance, Veterans' Reopened Insurance, and Veterans' Mortgage Life Insurance. The federal agency also oversees three life insurance programs for members of the uniformed services: Servicemembers' Group Life Insurance, SGLI Family Coverage, and Veterans' Group Life Insurance.

Veterans' life insurance in force totaled \$1.1 trillion in 2006 (Table 1.3). U.S. Government Life Insurance, covering World War I veterans, had \$24 million of insurance in force in 2006, while National Service Life Insurance, for veterans of World War II and those covered by the Insurance Act of 1951, totaled \$12 billion. Service-Disabled Veterans Insurance—for veterans separated from service after April 1951 who have a service-connected disability but are otherwise insurable—had \$1.8 billion of insurance in force in 2006.

The largest life insurance plan, Servicemembers' Group Life Insurance, had \$938 billion of insurance in force with 2.4 million policies at year-end 2006 (Table 1.3).

EMPLOYMENT

The insurance industry plays an important role in the nation's economy. In 2006, U.S. insurers employed 2.3 million individuals in all of their branches, unchanged from a year earlier (Table 1.4).

Government data on employees of insurance agencies and home offices in 2006 show 1.4 million insurance home-office personnel (368,600 in life insurance) and 888,200 insurance agents, brokers, and service personnel.

FOREIGN OWNERSHIP

The proportion of life insurance companies operating in the United States that are foreign-owned was 10 percent in 2006. This proportion has not changed in the last five years (Table 1.5).

The same five countries have fielded the major foreign players in the U.S. market since the mid-1990s. Among life insurance companies operating in the United States during 2006, Canada controlled 24 companies; the Netherlands, 19; the United Kingdom, 17; France, 13; and Switzerland, 12 (Table 1.6).

Table 1.1

Life Insurers Doing Business in the United States

| In business at year's end | Companies | | Average annual percent change |
|------------------------------|-----------|-------|-------------------------------|
| | 2005 | 2006 | 2005/2006 |
| Stock | 864 | 827 | -4.3 |
| Mutual¹ | 135 | 127 | -5.9 |
| Fraternal² | 102 | 102 | 0.0 |
| Other³ | 18 | 16 | -11.1 |
| Total | 1,119 | 1,072 | -4.2 |

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Note: NAIC does not endorse any analysis or conclusions based on use of its data.

¹Includes stock companies owned by mutual parents (life & PC) and mutual holding companies.

²Includes stock companies owned by fraternal benefit societies.

³Includes Blue Cross/Blue Shield companies (stock and mutual), risk retention groups, and their respective stock subsidiaries.

Table 1.2

U.S. Life Insurers by Organizational Structure, 2006 (millions)

| | Stock companies | Mutual ¹ companies | Fraternal societies | Other ² | U.S. Department of Veterans Affairs | Total |
|-------------------------------------|-----------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------|
| Life insurance in force | \$15,290,713 | \$3,421,548 | \$293,031 | \$107,145 | \$1,134,871 | \$20,247,307 |
| Life insurance purchased | 2,317,511 | 588,884 | 25,293 | 15,456 | 7,823 | 2,954,967 |
| Assets | 3,750,264 | 967,006 | 99,797 | 5,756 | 13,391 | 4,836,215 |
| Benefit payments³ | 415,461 | 101,876 | 8,076 | 7,812 | 1,720 | 534,945 |
| Premium income⁴ | 466,600 | 108,122 | 7,007 | 9,706 | 468 | 591,903 |

Sources: National Fraternal Congress of America; U.S. Department of Veterans Affairs; National Association of Insurance Commissioners (NAIC); ACLI tabulations of NAIC data, used by permission.

Note: NAIC does not endorse any analysis or conclusions based on use of its data.

¹Includes stock companies owned by mutual holding companies.

²Includes hospital, medical, dental, and indemnity companies; companies self-defined as Blue Cross/Blue Shield stock or Blue Cross/Blue Shield mutual; a non-profit company, and a company self-defined as a risk retention group.

³Includes payments to beneficiaries, surrender values, policy dividends, annuity payments, matured endowments, and other payments.

⁴Includes life insurance premiums, annuity considerations, and accident and health premiums.

Table 1.3

Veterans Life Insurance, 2006

| | Policies | In force (millions) |
|---|------------------|---------------------|
| Veterans programs | | |
| U.S. Government Life Insurance | 7,590 | \$24 |
| National Service Life Insurance | 1,084,253 | 12,160 |
| Veterans' Special Life Insurance | 197,575 | 2,442 |
| Service-Disabled Veterans Insurance | 182,365 | 1,817 |
| Veterans' Reopened Insurance | 47,140 | 444 |
| Veterans' Mortgage Life Insurance | 2,411 | 165 |
| Total | 1,521,334 | 17,052 |
| Uniformed service member programs | | |
| Servicemembers' Group Life Insurance (SGLI) | 2,437,500 | 937,617 |
| SGLI Family Coverage* | — | 128,584 |
| Veterans' Group Life Insurance | 429,664 | 51,618 |
| Total | 2,867,164 | 1,117,819 |
| Aggregate total | 4,388,498 | 1,134,871 |

Source: U.S. Department of Veterans Affairs.

*Plus 3.2 million Spouses and Children-Family Coverage which are riders to the SGLI policies.

Table 1.4

Insurance Industry Employment in the United States

| | Number employed | | | Average annual percent change | |
|---|------------------|------------------|------------------|-------------------------------|------------|
| | 1996 | 2005 | 2006 | 1996/2006 | 2005/2006 |
| Home-office personnel | | | | | |
| Life insurance | 510,000 | 334,500 | 368,600 | -3.2 | 10.2 |
| Health insurance | 278,000 | 427,400 | 429,300 | 4.4 | 0.4 |
| Other | 593,600 | 623,800 | 629,800 | 0.6 | 1.0 |
| Total | 1,381,600 | 1,385,700 | 1,427,700 | 0.3 | 3.0 |
| Agents, brokers, and service personnel | 726,400 | 873,600 | 888,200 | 2.0 | 1.7 |
| Aggregate total | 2,108,000 | 2,259,300 | 2,315,900 | 0.9 | 2.5 |

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: The federal Bureau of Labor Statistics adjusts annual employment data in April of the year following its survey.

Table 1.5

Foreign-Owned U.S. Life Insurers, 2002–2006

| | Number of companies | | | | | Average annual percent change | |
|---|---------------------|-------|-------|-------|-------|-------------------------------|-----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2002/2006 | 2005/2006 |
| U.S. life insurers | 1,284 | 1,227 | 1,179 | 1,119 | 1,072 | –3.5 | –4.2 |
| Foreign-owned U.S. life insurers | 134 | 126 | 122 | 116 | 110 | 3.9 | –5.2 |
| Percentage of U.S. life insurers | 10.4 | 10.3 | 10.3 | 10.4 | 10.3 | | |

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Companies are defined as foreign owned if more than 50 percent of stock is owned by a foreign entity or entities.

Table 1.6

Foreign-Owned Life Insurers Operating in the United States, by Country of Origin¹

| | Number of companies | | | | |
|-----------------------|---------------------|------|------|------|------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Barbados | — | — | — | — | 2 |
| Belgium | 9 | 8 | 7 | 5 | 4 |
| Bermuda | 1 | 1 | 2 | 2 | 3 |
| Canada | 29 | 25 | 25 | 24 | 24 |
| Cayman Islands | 3 | 2 | 4 | 5 | 5 |
| France | 7 | 11 | 11 | 11 | 13 |
| Germany | 6 | 6 | 6 | 6 | 4 |
| Ireland | 1 | — | — | — | — |
| Italy | 1 | 1 | 1 | 1 | 1 |
| Japan | 3 | 3 | 3 | 3 | 2 |
| Netherlands | 41 | 37 | 27 | 22 | 19 |
| South Africa | 2 | 1 | 1 | 1 | 1 |
| Spain | 1 | 1 | 1 | 2 | 2 |
| Sweden | 2 | 1 | 1 | 1 | 1 |
| Switzerland | 16 | 12 | 16 | 16 | 12 |
| United Kingdom | 12 | 17 | 17 | 17 | 17 |
| Total | 134 | 126 | 122 | 116 | 110 |

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Companies are defined as foreign owned if more than 50 percent of stock is owned by a foreign entity or entities.

¹Companies reporting multiple countries of ownership were divided equally among foreign entities.

Table 1.7

U.S. Life Insurers Doing Business in the United States, by Year

| Year | In business at year's end | | | | Total |
|-------|---------------------------|--------|------------------------|--------------------|-------|
| | Stock | Mutual | Fraternal ^s | Other ¹ | |
| 1950 | 507 | 142 | NA | NA | 649 |
| 1955 | 942 | 165 | NA | NA | 1,107 |
| 1960 | 1,286 | 155 | NA | NA | 1,441 |
| 1965 | 1,475 | 154 | NA | NA | 1,629 |
| 1970 | 1,627 | 153 | NA | NA | 1,780 |
| 1975 | 1,603 | 143 | NA | NA | 1,746 |
| 1980 | 1,823 | 135 | NA | NA | 1,958 |
| 1981 | 1,855 | 136 | NA | NA | 1,991 |
| 1982 | 1,926 | 134 | NA | NA | 2,060 |
| 1983 | 1,985 | 132 | NA | NA | 2,117 |
| 1984 | 2,062 | 131 | NA | NA | 2,193 |
| 1985 | 2,133 | 128 | NA | NA | 2,261 |
| 1986 | 2,128 | 126 | NA | NA | 2,254 |
| 1987 | 2,212 | 125 | NA | NA | 2,337 |
| 1988 | 2,225 | 118 | NA | NA | 2,343 |
| 1989 | 2,153 | 117 | NA | NA | 2,270 |
| 1990 | 2,078 | 117 | NA | NA | 2,195 |
| 1991 | 1,947 | 117 | NA | NA | 2,064 |
| 1992 | 1,835 | 109 | NA | NA | 1,944 |
| 1993 | 1,736 | 108 | NA | NA | 1,844 |
| 1994 | 1,565 | 115 | NA | 10 | 1,690 |
| 1995* | 1,394 | 228 | NA | 28 | 1,650 |
| 1996* | 1,361 | 217 | NA | 29 | 1,607 |
| 1997* | 1,221 | 217 | NA | 38 | 1,476 |
| 1998* | 1,190 | 231 | NA | 23 | 1,444 |
| 1999* | 1,090 | 228 | NA | 29 | 1,347 |
| 2000* | 1,035 | 209 | NA | 25 | 1,269 |
| 2001* | 999 | 193 | 116 | 33 | 1,341 |
| 2002* | 973 | 165 | 114 | 32 | 1,284 |
| 2003* | 946 | 142 | 105 | 34 | 1,227 |
| 2004* | 903 | 139 | 108 | 29 | 1,179 |
| 2005* | 864 | 135 | 102 | 18 | 1,119 |
| 2006* | 827 | 127 | 102 | 16 | 1,072 |

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. After 1993, data include life insurance companies that sell accident and health insurance.

NA: Not available.

*Beginning with 1995 data, stock companies that are part of fleets headed by non-stock companies are counted by the parent's ownership type, not as stock companies.

¹Includes hospital, medical, dental, and indemnity companies.

Table 1.8

Insurance Industry Employment in the United States, by Year

| Year | Home-office personnel | | | Total | Agents, brokers, and service personnel | Aggregate total |
|------|-----------------------|---------------------|---------|-----------|--|--------------------|
| | Life insurance | Health insurance | Other | | | |
| 1960 | 452,400 | 50,200 | 329,100 | 831,700 | 217,300 | 1,049,000 |
| 1965 | 481,200 | 54,200 | 358,000 | 893,400 | 250,300 | 1,143,700 |
| 1970 | 525,600 | 93,900 | 410,200 | 1,029,700 | 288,000 | 1,317,700 |
| 1975 | 520,500 | 122,100 | 442,700 | 1,085,300 | 356,600 | 1,441,900 |
| 1980 | 531,900 | 141,900 | 550,300 | 1,224,100 | 463,800 | 1,687,900 |
| 1981 | 542,200 | 142,700 | 552,000 | 1,236,900 | 475,800 | 1,712,700 |
| 1982 | 546,100 | 142,100 | 549,100 | 1,237,300 | 485,900 | 1,723,200 |
| 1983 | 539,900 | 144,800 | 544,200 | 1,228,900 | 498,900 | 1,727,800 |
| 1984 | 536,700 | 153,900 | 549,100 | 1,239,700 | 525,000 | 1,764,700 |
| 1985 | 559,300 | 170,700 | 561,600 | 1,291,600 | 548,200 | 1,839,800 |
| 1986 | 578,200 | 188,100 | 598,500 | 1,364,800 | 579,400 | 1,944,200 |
| 1987 | 578,000 | 202,100 | 634,900 | 1,415,000 | 611,800 | 2,026,800 |
| 1988 | 570,400 | 216,500 | 648,500 | 1,435,400 | 639,600 | 2,075,000 |
| 1989 | 550,200 | 228,100 | 660,100 | 1,438,400 | 651,800 | 2,090,200 |
| 1990 | 547,500 | 241,600 | 673,100 | 1,462,200 | 663,300 | 2,125,500 |
| 1991 | 560,000 | 258,700 | 675,900 | 1,494,600 | 666,300 | 2,160,900 |
| 1992 | 550,300 | 270,100 | 675,200 | 1,495,600 | 656,600 | 2,152,200 |
| 1993 | 552,500 | 237,900 | 608,100 | 1,398,500 | 684,000 | 2,082,500 |
| 1994 | 562,600 | 249,400 | 606,500 | 1,418,500 | 700,300 | 2,118,800 |
| 1995 | 547,200 | 260,100 | 588,300 | 1,395,600 | 712,600 | 2,108,200 |
| 1996 | 510,000 | 278,000 | 593,600 | 1,381,600 | 726,400 | 2,108,000 |
| 1997 | 505,300 | 292,100 | 602,000 | 1,399,400 | 744,100 | 2,143,500 |
| 1998 | 510,600 | 306,200 | 626,300 | 1,443,100 | 766,300 | 2,209,400 |
| 1999 | 496,100 | 319,200 | 637,400 | 1,452,700 | 783,400 | 2,236,100 |
| 2000 | 481,100 | 327,700 | 623,900 | 1,432,700 | 787,800 | 2,220,500 |
| 2001 | 470,300 | 337,500 | 622,700 | 1,430,500 | 803,200 | 2,233,700 |
| 2002 | 446,000 | 345,100 | 621,700 | 1,412,800 | 820,400 | 2,233,200 |
| 2003 | 440,500 | 348,500 | 639,600 | 1,428,600 | 837,400 | 2,266,000 |
| 2004 | 392,400 | 372,000 | 634,200 | 1,398,600 | 860,100 | 2,258,700 |
| 2005 | 334,500 | 427,400 | 623,800 | 1,385,700 | 873,600 | 2,259,300 |
| 2006 | 368,600 | 429,300 | 629,800 | 1,427,700 | 888,200 | 2,315,900 |

Source: U.S. Department of Labor, Bureau of Labor Statistics..

Note: Figures comprise only those on the payroll of insurers that participate in the unemployment insurance program.