

AMERICAN COUNCIL OF LIFE INSURERS

**LIFE INSURERS
FACT BOOK 2007**

The American Council of Life Insurers is a Washington, D.C.-based trade association. Its member companies offer life insurance, long-term care insurance, disability income insurance, reinsurance, annuities, pensions, and other retirement and financial protection products.

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PREFACE

The *Life Insurers Fact Book*, the annual statistical report of the American Council of Life Insurers (ACLI), provides information on trends and statistics about the life insurance industry. ACLI represents 373 life insurers operating in the United States, of which 364 are legal reserve life insurance companies and 9 are fraternal benefit societies. ACLI's 373 member companies account for 93 percent of total industry assets, 91 percent of the industry's life insurance premiums, and 95 percent of annuity considerations in the United States.

ACLI advocates the interests of life insurers and their millions of policyholders before federal and state legislators, state insurance departments, administration officials, federal regulatory agencies, and the courts. ACLI expands awareness of how the products offered by life insurers—life insurance, pensions, annuities, disability income insurance, and long-term care insurance—help Americans plan for and achieve financial and retirement security.

Unless otherwise noted, the data reported in the *Life Insurers Fact Book* are ACLI tabulations of the National Association of Insurance Commissioners (NAIC) 2006 statutory data for the life industry as of June 2007, and represent U.S. legal reserve life insurance companies and fraternal benefit societies. NAIC data are used by permission. The NAIC does not endorse any analysis or conclusions based on use of its data.

We would like to acknowledge ACLI staff who prepared the *Life Insurers Fact Book 2007*: Michele Alexander, Khari Cook, Jeff Janoska, Peggy Miller, Laura Polutanovich, Ken Shields, Vagiz Sultanbikov, Anna Varnavas, and Jiangmei Wang.

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METHODOLOGY

Unless otherwise noted, data in the *Life Insurers Fact Book* come from the annual statements of life insurers filed with the National Association of Insurance Commissioners (NAIC). These data represent the U.S. insurance business of companies (or branches of foreign companies) regulated by state insurance commissioners. Unless otherwise noted, data for years after 2002 include information for both life insurance companies and for fraternal benefit societies that sell life insurance products. Prior to 2003, data do not include fraternal benefit insurance sales. Where fraternal data are included, they are included as individual, rather than group, business. Data on life insurance sales by savings banks and the U.S. Department of Veterans Affairs are provided separately in Chapter 1 only.

Most of the *Fact Book* data are reported in standardized tables that summarize information for the current year (2006 data), last year (2005 data), and 10 years previous (1996 data), along with the average annual percentage change over the last year and the last ten years. In cases where 1996 data are not available, then the oldest available data are reported.

Company ownership is reflected on a fleet basis. That is, if a stock company is owned by a mutual parent, both are now classified as mutual companies. The same is true for insurance companies owned by non-U.S. parents. This affects most notably tables in Chapter 1.

The assets of a fleet typically differ slightly from the sum of the assets of individual companies in the fleet, because the net value (stockholder equity) of the subsidiary is counted at both the subsidiary and the parent level. This same double-counting discrepancy exists for liabilities, investment income, and surplus. Adjustments have been made, when possible, to eliminate the double-counting of assets, liabilities, investment income, and surplus.

Chapter 4 presents calculations of gross and net rates of return on investment based on formulas traditionally used in the industry. The net rate of return is calculated as:

$$\frac{(\text{net investment income})}{2\text{-year average net invested assets}}$$

The formula for average net invested assets is $(\text{current year net invested assets} + \text{current year investment income due} - \text{current year borrowed money} - \text{current year payable for securities} - \text{current year capital notes} - \text{current year surplus notes} + \text{previous year net invested assets} + \text{previous year investment income due} - \text{previous year borrowed money} - \text{previous year payable for securities} - \text{previous year capital notes} - \text{previous year surplus notes} - \text{net investment income}) / 2$.

The gross rate of return on fixed-rate assets is calculated as:

$$\frac{(\text{Gross investment income on bonds})}{\text{average net investment in bonds}}$$

The denominator is $(\text{CY Bonds} + \text{PY Bonds} - \text{gross investment income on bonds}) / 2$.

Key U.S. Life Insurers Statistics

	1996	2005	2006	Average annual percent change	
				1996/2006	2005/2006
Life insurance in force (millions)¹					
Individual	\$7,425,746	\$9,969,899	\$10,056,501	3.5	0.9
Credit	210,746	165,605	150,289	-2.9	-9.2
Group	5,067,804	8,263,019	8,905,646	7.6	7.8
Total	12,704,296	18,398,523	19,112,436	5.0	3.9
Annuity considerations (millions)²					
Individual ³	\$81,561	\$167,032	\$187,083	8.7	12.0
Group	96,855	110,084	115,645	1.8	5.1
Total	178,416	277,117	302,727	5.4	9.2
Payments under life insurance and annuity contracts (millions)					
Payments to beneficiaries	\$36,257	\$52,996	\$55,694	4.4	5.1
Surrender values ⁴	140,201	229,486	276,276	7.0	20.4
Policyholder dividends	18,064	17,919	18,429	0.2	2.8
Annuity payments ⁵	51,069	63,935	71,087	3.4	11.2
Matured endowments	741	640	612	-1.9	-4.4
Other payments ⁶	614	695	566	-0.8	-18.6
Total	246,946	365,672	422,664	5.5	15.6
Income of life insurers (millions)					
Life insurance premiums	\$107,598	\$142,261	\$149,223	3.3	4.9
Annuity considerations ²	178,416	277,117	302,727	5.4	9.2
Health insurance premiums	92,183	118,267	141,198	4.4	19.4
Other ⁷	NA	(1,728)	(1,714)	NA	0.8
Total	378,197	535,916	591,435	4.6	10.4
Investment income	164,519	206,859	239,669	3.8	15.9
Other income ⁸	30,190	36,249	52,492	5.7	44.8
Aggregate total	572,906	779,024	883,597	4.4	13.4
Life insurers doing business in the United States (units)					
Stock	1,361	864	827	-4.9	-4.3
Mutual ⁹	217	135	127	-5.2	-5.9
Fraternal ¹⁰	NA	102	102	NA	0.0
Other ¹¹	29	18	16	-5.8	-11.1
Total	1,607	1,119	1,072	-4.0	-4.2

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

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

Notes: Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes.

NA: Not available.

¹Data represent direct business.

²Beginning in 2001, excludes deposits for guaranteed interest contracts due to codification.

³For 2005 and 2006, includes supplementary contracts with life contingencies.

⁴Beginning in 2001, excludes payments under deposit-type contracts, and includes annuity withdrawals of funds, for which a comparable amount in prior years is not available.

⁵For 2005 and 2006, excludes payments under deposit-type contracts.

⁶Includes some disability benefits and retained assets.

⁷Includes lines of business other than life (e.g. workers compensation, aviation insurance, etc.).

⁸Includes commissions and expense allowance on reinsurance ceded. For 2005 and 2006, includes amortization of interest maintenance reserve.

⁹Includes stock companies owned by mutual holding companies.

¹⁰Includes stock companies owned by fraternal benefit societies.

¹¹Includes hospital, medical, dental, and indemnity companies; companies self-defined as Blue Cross/Blue Shield stock or mutual; a nonprofit company; and a company self-defined as a risk retention group.

