

AMERICAN COUNCIL OF LIFE INSURERS

***Life
Insurers
Fact
Book***

2005

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 356 life insurers operating in the United States, of which 347 are legal reserve life insurance companies and 9 are fraternal benefit societies. ACLI's 356 member companies account for 80 percent of total industry assets, 78 percent of the industry's life insurance premiums, and 84 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) 2004 statutory data for the life industry as of June 2005, and represent U.S. legal reserve life insurance companies and, for the first time, fraternal benefit societies. NAIC data is used by permission. The NAIC does not endorse any analysis or conclusions based on use of its data.

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METHODOLOGY

ACLI's *Life Insurers Fact Book 2005* incorporates several methodological and reporting changes from previous years. In some cases the data in previous *Fact Books* are not fully comparable with the data in the 2005 edition. Changes are outlined below and footnoted in the tables when applicable.

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 NAIC. Unless otherwise noted, data for 2003 and 2004 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.

Much of the *Fact Book* data are now reported in standardized tables that summarize information for the current year (2004 data), last year (2003 data), and 10 years previous (1994 data), along with the average annual percentage change over the last year and the last ten years. In cases where 1994 data are not available, then the oldest available data are reported.

Company ownership is now 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 change is reflected most notably in Chapter 1 tables.

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:

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

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

(Gross investment income on bonds)/ average net investment in bonds. The denominator is (CY bonds + PY Bonds – gross investment income on bonds) /2.