

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 2004, 1,179 life insurance companies were in business in the United States (Table 1.1). The number of active companies has fallen steadily since peaking in 1988 (Table 1.7), mostly due to company mergers and consolidations. This streamlining helps to reduce operating costs and general overhead significantly.

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. By this year's calculations, if a stock company is owned by a mutual company, that stock company will be categorized as a mutual company. The majority of life insurers are stock companies—903, 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.

Table 1.1**Life Insurers Doing Business in the United States**

In business at year's end	2003	2004	Average annual
			percent change
			2003/2004
Stock	946	903	-4.5
Mutual ¹	142	139	-2.1
Fraternal ²	105	108	2.9
Other ³	34	29	-14.7
Total	1,227	1,179	-3.9

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.

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 \$3.0 trillion of life insurance in force in 2004 and stock life insurers, \$14.0 trillion. Fraternal societies and the U.S. Department of Veterans Affairs underwrite the remainder of U.S. insurance.

Table 1.2 Life Insurers by Organizational Structure, 2004 (millions)

	Stock companies	Mutual companies ¹	Fraternal societies	Other ²	U.S. Department of Veterans Affairs	Total
Life insurance in force	\$14,004,932	\$2,988,153	\$286,073	\$229,094	\$753,010	\$18,261,262
Life insurance purchased	2,460,011	580,821	25,344	33,239	6,001	3,105,416
Assets	3,286,677	854,450	93,143	18,575	14,251	4,267,097
Benefit payments ³	321,225	81,452	6,299	18,992	1,819	429,787
Premium income ⁴	405,597	102,235	7,506	24,088	551	539,977

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.

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 2004, there were 108 fraternal life insurance companies that had \$286 billion of life insurance in force and \$93 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.

Table 1.3 Veterans Life Insurance, 2004

	Policies	In force (millions)
Veterans programs		
U.S. Government Life Insurance	10,078	\$32
National Service Life Insurance	1,277,217	13,827
Veterans' Special Life Insurance	211,837	2,515
Service-Disabled Veterans Insurance	167,811	1,640
Veterans' Reopened Insurance	56,605	514
Veterans' Mortgage Life Insurance	2,593	169
Total	1,726,141	18,697
Uniformed service member programs		
Servicemembers' Group Life Insurance (SGLI)	2,428,500	571,616
SGLI Family Coverage*	—	118,198
Veterans' Group Life Insurance	409,922	44,499
Total	2,838,422	734,313
Aggregate total	4,564,563	753,010

Source: U.S. Department of Veterans Affairs

*Plus 3.1 million spouses and children—Family Coverage which are riders to the SGLI policies.

Veterans' life insurance in force totaled \$753 billion in 2004 (Table 1.3). U.S. Government Life Insurance, covering World War I veterans, had \$32 million of insurance in force in 2004, while National Service Life Insurance, for veterans of World War II and those covered by the Insurance Act of 1951, totaled \$14 billion. Service-Disabled Veterans Insurance—for veterans separated from service after April 1951 who have a service-connected disability but are otherwise insurable—had \$1.6 billion of insurance in force in 2004.

The largest life insurance plan, Servicemembers' Group Life Insurance, had \$572 billion of insurance in force with 2.4 million policies at year-end 2004 (Table 1.3).

EMPLOYMENT

The insurance industry plays an important role in the nation's economy. In 2004, U.S. insurers employed 2.3 million individuals in all of their branches, unchanged from a year earlier (Table 1.4).

Table 1.4 Insurance Industry Employment in the United States

	1994	2003	2004	Average annual percent change	
				1994/2004	2003/2004
Home-office personnel					
Home-office personnel					
Life insurance	562,600	440,500	423,400	-2.9	-3.9
Health insurance	249,400	348,500	342,200	3.5	-1.8
Other	606,500	640,200	637,800	0.3	-0.4
Total	1,418,500	1,429,200	1,403,400	-0.2	-0.8
Agents, brokers, and service personnel					
Agents, brokers, and service personnel	700,300	837,000	856,900	2.0	2.4
Aggregate total	2,118,800	2,266,200	2,260,300	0.6	-0.3

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.

Government data on employees of insurance agencies and home offices in 2004 show 1.4 million insurance home-office personnel (423,400 in life insurance) and 856,900 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 2004. This proportion has slowly dropped 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 2004, the Netherlands controlled 27 companies; Canada, 25; the United Kingdom, 17; Switzerland, 16; and France, 11 (Table 1.6).

Table I.5 Foreign-Owned U.S. Life Insurers, 2000–2004

	Number of companies					Average annual percent change	
	2000	2001	2002	2003	2004	2000/2004	2003/2004
U.S. life insurers	1,269	1,341	1,284	1,227	1,179	-1.5	-3.9
Foreign-owned U.S. life insurers	137	142	134	127	122	-2.2	-3.9
Percentage of U.S. life insurers	10.8	10.6	10.4	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 I.6 Foreign-Owned Life Insurers Operating in the United States, by Country of Origin¹

	Number of companies				
	2000	2001	2002	2003	2004
Belgium & Netherlands	10	10	9	8	7
Bermuda	1	1	1	1	2
Canada	32	31	29	25	25
Cayman Islands	2	2	3	2	4
France	6	6	7	11	11
Germany	7	7	6	6	6
Ireland	6	1	1	0	0
Italy	0	0	1	1	1
Japan	2	3	3	3	3
Netherlands	44	46	41	37	27
South Africa	2	2	2	1	1
Spain	1	1	1	2	1
Sweden	1	2	2	1	1
Switzerland	15	17	16	12	16
United Kingdom	8	13	12	17	17
Total	137	142	134	127	122

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 I.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

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				Agents, brokers, and service personnel	Aggregate total
	Life insurance	Health insurance	Other	Total		
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	640,200	1,429,200	837,000	2,266,200
2004	423,400	342,200	637,800	1,403,400	856,900	2,260,300

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.