

3 LIABILITIES

The liabilities of U.S. life insurers primarily comprise the reserves held by each insurer to back its obligations to policyholders and their beneficiaries. Of the many different kinds of reserves, policy and asset fluctuation reserves are the most important. Liabilities also include small amounts of other funds and obligations.

Based on standard accounting principles applied to all businesses, total liabilities plus the company's net value must equal its total assets. Net value is a company's surplus plus its capital stock and is available to support policyholder claims if necessary.

POLICY RESERVES

Policy reserves concern an insurer's obligation to its customers arising from its product in force. State law requires each company to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. That level is calculated on an actuarial basis, taking into account funds from future premium payments, assumed future interest earnings, and expected mortality experience. At the end of 2004, policy reserves of U.S. life insurers totaled \$3.2 trillion (Table 3.1).

Policy reserves are held and identified for each type of business conducted by a life insurer:

- Life insurance policies
- Annuities and supplementary contracts
- Health insurance policies

Table 3.1 Liabilities and Surplus Funds of Life Insurers

	Millions			Average annual percent change	
	1994	2003	2004	1994/2004	2003/2004
Reserves					
Policy reserves ¹	\$1,631,392	\$2,895,003	\$3,160,497	6.8	9.2
Other reserves					
Liabilities for deposit-type contracts ²	32,353	410,554	445,431	NA	8.5
Asset valuation reserve (AVR) ³	25,010	29,187	35,125	3.5	20.3
Policy and contract claims	21,993	37,202	37,880	5.6	1.8
Funds set aside for policyholder dividends	13,150	18,825	18,416	3.4	-2.2
Interest maintenance reserve (IMR)	6,988	14,890	17,764	9.8	19.3
Miscellaneous reserves ⁴	NA	10,433	10,892	NA	4.4
Total other reserves	99,494	521,090	565,509	19.0	8.5
Total reserves	1,730,886	3,416,093	3,726,006	8.0	9.1
Non-reserve liabilities	74,646	240,776	276,736	14.0	14.9
Total liabilities	1,805,532	3,656,869	4,002,742	8.3	9.5
Capital and surplus	136,741	231,321	250,105	6.2	8.1
Total liabilities and surplus funds	1,942,273	3,888,190	4,252,846	8.2	9.4

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. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available

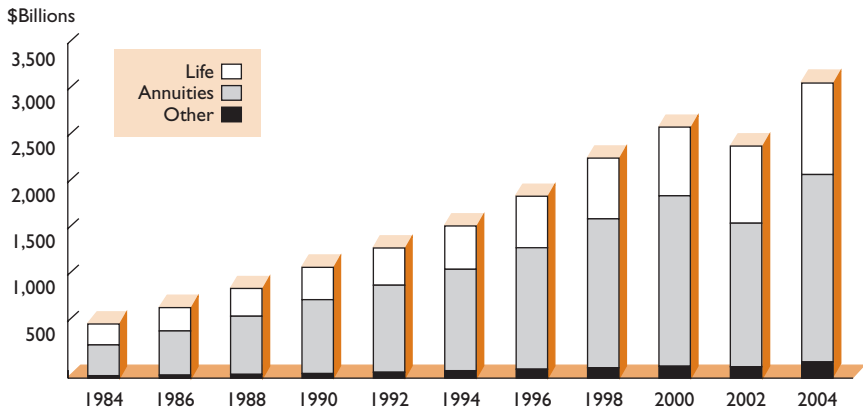
¹Beginning in 2001, excludes reserves for guaranteed interest contracts (GICs).

²For 1994, includes policyholder dividend accumulations and supplementary contracts without life contingencies. Beginning in 2001, includes liabilities for GICs, supplementary contracts without life contingencies, policyholder dividend accumulations, and premium and other deposits.

³Beginning in 1992, asset valuation reserve replaced the mandatory securities valuation reserve.

⁴Includes insurance premiums paid in advance. The amount was previously included in non-reserve liabilities.

Figure 3.1 Growth of Life Insurers' Policy Reserves



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. Data represent U.S. life insurers, and, as of 2003, fraternal benefit societies.

The composition of life insurer policy reserves has changed over the years, reflecting a shift in the basic types of business undertaken (Figure 3.1). Annuity contract reserves now account for a larger proportion of total policy reserves, while reserves set aside for life insurance policies have a lesser share.

In 2004, reserves for life insurance comprised 31 percent of total policy reserves, reaching \$988 billion (Figure 3.2, Table 3.2). This proportion has shrunk from 20 years ago, when life insurance products commanded 39 percent of total reserves (Table 3.6). In 2004, these reserves consisted of \$882 billion for individual life policies, \$104 billion for group policies, and \$2 billion for credit life policies (Table 3.2).

By contrast, reserves for annuities and supplementary contracts climbed to nearly two-thirds of total reserves in 2004 (65%), or \$2.0 trillion, from 58 percent in 1984. Much of the increase reflects the strong growth in retirement plans administered by life insurers.

**Table 3.2 Policy Reserves of Life Insurers,
by Line of Business**

	Millions			Average annual percent change	
	1994	2003	2004	1994/2004	2003/2004
Life insurance					
Individual	\$441,894	\$827,892	\$881,817	7.2	6.5
Group	23,911	91,049	103,931	15.8	14.1
Credit	2,664	2,200	1,820	-3.7	-17.3
Total	468,469	921,142	987,568	7.7	7.2
Annuities¹					
Individual	482,172	1,172,623	1,311,552	10.5	11.8
Group	612,394	662,474	712,149	1.5	7.5
Supplementary contracts with life contingencies	10,338	15,315	15,587	4.2	1.8
Total	1,104,904	1,850,411	2,039,288	6.3	10.2
Health insurance					
Individual	NA	84,898	93,127	NA	9.7
Group	NA	36,211	38,347	NA	5.9
Credit	NA	2,342	2,167	NA	-7.5
Total	58,019	123,451	133,641	8.7	8.3
Aggregate total	1,631,392	2,895,003	3,160,497	6.8	9.2

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

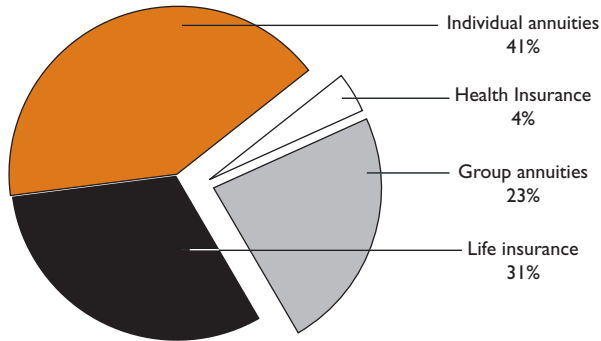
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available

¹As of 2001, excludes reserves for guaranteed interest contracts (GICs). Figures for GICs are presented in Table 3.3.

In 2004, Annuity reserves consisted of \$1.3 trillion for individual annuities, up 12 percent from 2003, and \$712 billion for group annuities, up 8 percent. Group annuity reserves had fallen significantly in 2001, primarily due to accounting codification rather than actual fluctuation. In 2000, liabilities for guaranteed interest contracts (GICs) and premium and other deposit funds had been reported as annuity reserves; however, as of 2001 these amounts were counted as liabilities for deposit-type contracts. Since most GICs and other deposit-type funds are under group contracts, this accounting change has had a substantial effect on group annuity reserves.

Reserves held under supplementary contracts with life contingencies in 2004 totaled \$16 billion, and for health insurance policies, \$134 billion.

Figure 3.2**Distribution of Life Insurers' Policy Reserves, 2004**

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. Data represent U.S. life insurers, and, as of 2003, fraternal benefit societies.

DEPOSIT-TYPE CONTRACTS

Contracts issued by life insurers that do not incorporate mortality or morbidity risks are known as deposit-type contracts. Benefit payments under these contracts are not contingent upon death or disability as they are in life and disability insurance contracts, or upon continued survival as they are in annuity contracts. Categories of deposit-type contracts, as defined by the National Association of Insurance Commissioners (NAIC), include GICs, supplementary contracts without life contingencies, annuities certain, premium and other deposit funds, dividend and coupon accumulations, lottery payouts, and structured settlements.

Under codified statutory accounting practices implemented in 2001, cash inflows and outflows on deposit-type contracts are no longer reported as income and expenditure. Instead, they are recorded directly as increasing or decreasing reserves. During 2004, \$129 billion was deposited to these contracts and \$112 billion was withdrawn, with a total reserve of \$445 billion at year's end (Table 3.3).

Table 3.3 **Deposit-Type Contracts, 2004 (millions)**

	Deposits	Withdrawals	Reserves
Guaranteed interest contracts (GICs)	\$68,609	\$50,953	\$191,025
Annuities certain	4,369	5,575	34,590
Supplementary contracts without life contingencies	19,982	19,401	32,004
Dividend accumulations or refunds	1,617	4,042	24,695
Premium and other deposit funds	34,824	32,226	163,118
Total	129,401	112,197	445,431

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. Data represent U.S. life insurers and fraternal benefit societies.

GICs accounted for the largest share of the deposit-type business with \$69 billion in deposits, \$51 billion in payments, and \$191 billion in reserve at year-end 2004. Premium and other deposit funds received \$35 billion from policyholders and paid out \$32 billion in 2004, leaving a reserve of \$163 billion at year's end.

ASSET FLUCTUATION RESERVES

Besides policy reserves, insurers are required to establish two statutory reserves to absorb gains and losses in their invested assets.

The asset valuation reserve (AVR) absorbs both realized and unrealized, credit-related capital gains and losses. The AVR consists of a default component, which provides for credit-related losses on fixed-income assets, and an equity component, which provides for all types of equity investments.

The interest maintenance reserve (IMR) captures all realized, interest-related capital gains and losses on fixed-income assets. The IMR amortizes these gains and losses into income over the remaining life of the investments sold.

In 2004, the industry's total AVR increased 20 percent to \$35 billion, and its IMR increased 19 percent to \$18 billion (Table 3.1).

OTHER LIABILITIES

In addition to reserves, other liability funds of U.S. life insurers at the end of 2004 included \$38 billion in policy and contract claims; \$18 billion set aside for the following year's dividend payments to policyholders; and \$276 billion for liabilities not directly allocable to policyholders—incurred expenses, mandatory reserves for fluctuations in security values, and insurance premiums paid in advance, for example (Table 3.1).

SURPLUS FUNDS AND CAPITAL STOCK

Surplus and capital amounted to \$250 billion for U.S. life insurers at the end of 2004 (Table 3.1). Surplus funds provide extra reserve safeguards for such contingencies as an unexpected rise in death rates among policyholders, unusual changes in the value of securities, and general protection for policy obligations. Several factors influence the amount of surplus that a life insurer retains, including company size, kinds of insurance written, mortality experience, general business conditions, and government regulation. Capital refers to the total par value of shares of the companies' capital stock.

CAPITAL RATIOS

One measure of the adequacy of a life insurer's surplus is its capital ratio: surplus funds plus capital stock plus AVR as a percentage of general account assets. Theoretically, the higher the capital ratio, the better a company is able to withstand adverse investment and mortality experience. However, the type of company and the distribution of its book of business can make comparisons among companies and with an industry wide average much less meaningful. In 2004, the aggregate capital ratio of U.S. life insurers was 9.8 percent compared with 9.6 percent in 2003 (Table 3.4).

Life insurance regulators created the risk-based capital (RBC) ratio to monitor life insurance company solvency.

Table 3.4**Capital Ratios of Life Insurers (percent)**

	1994	2003	2004
Including AVR	10.2	9.6	9.8
Excluding AVR	8.6	8.6	8.6

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. Capital ratio is equal to capital and surplus plus the asset valuation reserve (AVR) divided by general account assets. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Risk-based capital, calculated according to an NAIC model law, is considered the minimum amount of capital an insurer needs to avoid triggering regulatory action. The RBC ratio is total adjusted capital divided by risk-based capital, for a threshold ratio of 100 percent. The ratio provides a means for evaluating the adequacy of an insurer's capital relative to the risks inherent in the insurer's operations.

From 1993 when life insurers began reporting risk-based capital, the average RBC ratio rose steadily to a plateau of 290 percent in 1997, which remained unbroken until 2001 (Table 3.5). That year, the ratio jumped to 346 percent, mainly due to two changes enacted by NAIC: accounting codification and an adjusted RBC formula that reflects changed risks for assets. In 2004, the ratio rose 33 percentage points to 390 percent.

Most companies have an RBC ratio well above the regulatory minimum level of 100 percent. By year-end 2004, 1026 companies, or 92 percent of life insurers, had a ratio of 200 percent or more. These companies carried 98 percent of the industry's total assets.

Table 3.5**Levels of Risk-Based Capital Held by Life Insurers, 1995–2004**

Risk-based capital ratio	Number of companies									
	1995	1996	1997	1998	1999	2000	2001 ¹	2002	2003	2004
200% or more	1,363	1,350	1,210	1,198	1,125	1,061	1,046	1,002	1,051	1,026
175–199	44	39	44	50	37	44	37	31	30	18
150–174	51	38	42	32	39	28	29	25	24	21
125–149	36	35	46	31	32	31	31	30	30	25
100–124	24	26	16	16	18	19	14	13	18	13
Less than 100%	25	28	26	22	27	15	21	25	22	16
Total	1543	1,516	1,384	1,349	1,278	1,198	1,178	1,126	1,175	1,119

Average risk-based capital ratio	257%	273%	290%	286%	283%	287%	346%	325%	357%	390%
----------------------------------	------	------	------	------	------	------	------	------	------	------

Risk-based capital ratio	Percentage of companies (percent)									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
200% or more	88.3	89.1	87.4	88.8	88.0	88.6	88.8	89.0	89.4	91.7
175–199	2.9	2.6	3.2	3.7	2.9	3.7	3.1	2.8	2.6	1.6
150–174	3.3	2.5	3.0	2.4	3.1	2.3	2.5	2.2	2.0	1.9
125–149	2.3	2.3	3.3	2.3	2.5	2.6	2.6	2.7	2.6	2.2
100–124	1.6	1.7	1.2	1.2	1.4	1.6	1.2	1.2	1.5	1.2
Less than 100%	1.6	1.8	1.9	1.6	2.1	1.3	1.8	2.2	1.9	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Risk-based capital ratio	Distribution of total assets (percent)									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
200% or more	89.1	86.9	93.4	97.4	91.4	96.6	96.5	96.8	98.3	98.4
175–199	5.1	8.4	2.0	1.6	3.0	2.2	2.2	1.6	0.4	0.1
150–174	1.1	1.3	3.7	0.5	0.7	0.3	0.4	0.3	0.4	0.5
125–149	3.5	2.6	0.6	0.2	0.5	0.7	0.8	0.8	0.3	0.9
100–124	0.5	0.8	0.3	0.1	0.1	0.1	0.0	0.4	0.4	0.0
Less than 100%	0.8	0.1	0.1	0.1	4.3	0.1	0.1	0.2	0.3	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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. Risk-based capital ratio is total adjusted capital divided by total risk-based capital. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

¹Data reflect changes due to accounting codification and revisions in the risk-based capital formula.

Table 3.6 Life Insurer Policy Reserves, by Line of Business and Year (millions)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	\$670	1910	\$3,226	1925	\$9,927	1940	\$27,238
1900	1,443	1915	4,399	1930	16,231	1945	38,667
1905	2,295	1920	6,338	1935	20,404	1950	54,946
Year	Life insurance	Health insurance	Annuities ¹		Supplementary contracts ²	Total	
			Individual	Group			
1955	\$54,588	\$575	*	\$13,216	\$6,980	\$75,359	
1960	70,791	865	\$4,327	14,952	7,538	98,473	
1965	90,795	1,432	5,028	22,187	8,178	127,620	
1970	115,442	3,474	6,951	34,009	7,903	167,779	
1975	150,063	6,293	12,442	59,907	8,411	237,116	
1980	197,865	11,015	31,543	140,417	9,499	390,339	
1981	206,986	11,931	38,800	160,992	9,322	428,031	
1982	213,783	13,181	51,002	191,898	9,496	479,360	
1983	220,968	14,956	64,661	221,724	10,132	532,441	
1984	225,904	16,552	76,983	254,592	10,162	584,193	
1985	235,854	18,805	96,969	303,021	10,653	665,302	
1986	252,035	21,294	121,146	355,756	11,693	761,924	
1987	276,404	23,994	156,135	392,540	13,060	862,133	
1988	299,901	26,852	193,820	433,889	14,501	968,963	
1989	324,178	29,855	239,593	473,934	16,118	1,083,678	
1990	348,774	33,448	282,129	515,794	16,822	1,196,967	
1991	372,082	38,225	328,325	548,191	17,955	1,304,778	
1992	402,413	45,159	380,677	559,774	19,068	1,407,091	
1993	436,293	51,386	439,390	601,836	20,898	1,549,803	
1994	468,469	58,019	482,172	612,394	22,989	1,644,043	
1995	511,021	63,233	594,147	618,666	25,258	1,812,325	
1996	556,133	69,567	622,012	690,482	27,596	1,965,790	
1997	606,260	74,902	693,011	761,951	28,435	2,164,559	
1998	655,983	82,020	763,329	845,164	30,952	2,377,449	
1999	705,226	91,662	873,519	907,181	32,338	2,609,926	
2000	741,603	95,704	880,874	960,128	33,542	2,711,851	
2001	815,544	100,706	944,961	571,451	13,309	2,445,972	
2002	832,927	110,768	980,065	569,856	13,699	2,507,314	
2003‡	921,142	123,451	1,172,623	662,474	15,315	2,895,003	
2004‡	987,568	133,641	1,311,552	712,149	15,587	3,160,497	

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. Before 1947, the business of health insurance departments of life insurers was not included in this series. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

*Included with group annuities.

‡Includes fraternal benefit societies.

¹Beginning in 2001, excludes reserves for guaranteed interest contracts (GICs). Figures for GICs are shown in Table 3.3.

²Beginning in 2001, includes reserves for supplementary contracts with life contingencies; reserves for supplementary contracts without life contingencies are included in liabilities for deposit-type contracts in Table 3.3.

Table 3.7 Life Insurance Policy Reserves,
by Type and Year (millions)

Year	Individual	Group	Credit	Total
1956	\$56,875	\$787	—	\$57,662
1960	69,524	1,267	—	70,791
1965	88,784	2,011	—	90,795
1970	112,349	3,093	—	115,442
1975	144,368	4,995	\$700	150,063
1980	187,872	8,818	1,175	197,865
1981	196,407	9,379	1,200	206,986
1982	202,789	9,766	1,228	213,783
1983	209,466	10,148	1,354	220,968
1984	215,309	9,111	1,484	225,904
1985	224,204	9,927	1,723	235,854
1986	239,295	10,770	1,970	252,035
1987	263,515	10,559	2,330	276,404
1988	285,853	11,581	2,467	299,901
1989	309,168	12,569	2,441	324,178
1990	332,808	13,506	2,460	348,774
1991	355,719	13,950	2,413	372,082
1992	381,323	18,684	2,406	402,413
1993	412,542	21,336	2,415	436,293
1994	441,894	23,911	2,664	468,469
1995	480,967	27,342	2,712	511,021
1996	523,901	29,396	2,836	556,133
1997	565,601	37,787	2,872	606,260
1998	608,283	44,515	3,184	655,983
1999	645,499	56,426	3,302	705,226
2000	679,546	58,493	3,564	741,603
2001	720,583	91,563	3,398	815,544
2002	746,383	83,742	2,802	832,927
2003‡	827,892	91,049	2,200	921,142
2004‡	881,817	103,931	1,820	987,568

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. Credit life insurance is limited to insurance on loans of 10 years' or less duration. Prior to 1973, all credit insurance was included in the individual and group categories. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

Table 3.8 Life Insurer Liabilities and Surplus Funds, by Year (millions)

Year	Policy reserves	Liabilities for deposit-type contracts ¹	Funds set aside for policy dividends	Other obligations	Policy and contract claims ²	Mandatory securities or asset valuation reserve ³	Interest maintenance reserve	Capital and surplus funds	Total
1952	\$62,579	\$1,675	\$841	\$3,024*	—	NA	—	\$5,256	\$73,375
1955	75,359	2,239	1,201	3,562	—	\$1,063	—	7,008	90,432
1960	98,473	3,381	1,780	4,851	—	1,417	—	9,674	119,576
1965	127,620	4,326	2,647	7,295	—	3,160	—	13,836	158,884
1970	167,779	6,068	3,540	10,295	—	2,249	—	17,323	207,254
1975	237,116	8,814	4,875	16,241	—	1,695	—	20,563	289,304
1980	390,339	12,727	7,659	27,701	—	6,426	—	34,358	479,210
1981	428,031	13,261	8,355	33,223	—	5,511	—	37,422	525,803
1982	479,360	13,706	8,914	38,001	—	6,731	—	41,451	588,163
1983	532,441	13,939	10,078	44,022	—	8,084	—	46,384	654,948
1984	584,193	14,395	10,745	55,955	—	7,344	—	50,347	722,979
1985	665,302	14,638	11,710	66,932	—	10,539	—	56,780	825,901
1986	761,924	15,174	11,704	69,270	—	15,330	—	64,149	937,551
1987	862,133	15,837	12,043	71,063	—	16,013	—	67,370	1,044,459
1988	968,963	16,601	12,478	75,939	—	17,939	—	74,950	1,166,870
1989	1,083,678	17,278	13,373	82,306	—	19,438	—	83,683	1,299,756
1990	1,196,967	18,000	13,921	73,164	—	14,783	—	91,373	1,408,208
1991	1,304,778	18,531	13,196	89,804	—	18,854	—	106,038	1,551,201
1992	1,407,091	19,189	13,102	85,212	—	20,801	\$3,899	115,237	1,664,531
1993	1,549,803	19,619	13,172	72,525	\$20,680	25,063	10,245	128,020	1,839,127
1994	1,644,043	19,702	13,150	74,646	21,993	25,010	6,988	136,741	1,942,273
1995	1,812,325	19,950	13,739	83,923	23,987	29,676	9,000	150,944	2,143,544
1996	1,965,790	20,441	14,863	111,629	25,399	33,202	9,360	147,240	2,327,924
1997	2,164,559	20,456	16,197	141,042	29,181	36,159	11,398	160,086	2,579,078
1998	2,377,449	20,520	16,831	155,243	31,309	37,882	14,567	172,695	2,826,497

Continued

Table 3.8
Continued

Year	Policy reserves	Liabilities for deposit-type contracts ¹	Funds set aside for policy dividends	Other obligations	Policy and contract claims ²	Mandatory securities or asset valuation reserve ³	Interest maintenance reserve	Capital and surplus funds	Total
1999	2,609,920	20,808	17,356	157,860	31,096	40,089	12,275	181,248	3,070,653
2000	2,711,851	21,149	18,137	162,300	33,161	37,893	8,746	188,499	3,181,736
2001	2,445,972	337,713	18,689	193,263	35,721	30,603	8,507	190,727	3,269,019
2002	2,507,314	363,514	18,489	220,160	35,043	22,851	10,310	202,318	3,380,000
2003‡	2,895,003	410,554	18,825	251,209	37,202	29,187	14,890	231,321	3,888,190
2004‡	3,160,497	445,431	18,416	287,628	37,880	35,125	17,764	250,105	4,252,846

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. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, as explained in footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available

‡Includes fraternal benefit societies.

¹Prior to 2001, represents policyholder dividend accumulations. Beginning in 2001, includes liabilities for guaranteed interest contracts, supplementary contracts without life contingencies, policyholder dividend accumulations, and premium and other deposits.

²Prior to 1993, included with other obligations.

³Beginning in 1992, asset valuation reserve replaced mandatory securities valuation reserve.

Table 3.9**Capital Ratios of Life Insurers, by Year (percent)**

Year	Including MSVR/AVR	Excluding MSVR/AVR	Year	Including MSVR/AVR	Excluding MSVR/AVR
1967	10.7	8.9	1995	10.7	9.0
1970	9.7	8.6	1996	11.9	10.0
1975	8.1	7.4	1997	10.6	8.7
1980	9.2	7.7	1998	11.0	9.0
1985	9.1	7.7	1999	11.1	9.1
1986	9.6	7.7	2000	11.1	9.2
1987	8.9	7.2	2001	10.1	8.7
1988	8.9	7.2	2002	9.3	8.4
1989	8.9	7.3	2003‡	9.6	8.6
1990	8.5	7.3	2004‡	9.8	8.6
1991	9.3	7.9			

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. Capital ratio is equal to capital plus surplus plus the asset valuation reserve (AVR), or mandatory securities valuation reserve (MSVR) prior to 1992, divided by general account assets. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.