

# 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 2009, 946 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—709, or 75 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 \$4.7 trillion of life insurance in force in 2009 and stock life insurers, \$13 trillion. Fraternal societies and other type companies 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 2009, there were 93 fraternal life insurance companies that had \$310 billion of life insurance in force and \$107 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 \$1.3 trillion in 2009 (Table 1.3). U.S. Government Life Insurance, covering World War I veterans, had \$13 million of insurance in force in 2009, while National Service Life Insurance, for veterans of World War II and those covered by the Insurance Act of 1951, totaled \$10 billion. Service-Disabled Veterans Insurance—for veterans separated from service after April 1951 who have a service-connected disability but are otherwise insurable—had \$2 billion of insurance in force in 2009.

The largest life insurance plan, Servicemembers' Group Life Insurance, had \$901 billion of insurance in force with 2.4 million policies at year-end 2009 (Table 1.3).

## EMPLOYMENT

The insurance industry plays an important role in the nation's economy. In 2009, U.S. insurers employed 2.2 million individuals in all of their branches, remaining stable from a year earlier (Table 1.4).

Government data on employees of insurance agencies and home offices in 2009 show 1.4 million insurance home-office personnel (352,300 in life insurance) and 880,500 insurance agents, brokers, and service personnel.

## FOREIGN OWNERSHIP

The proportion of life insurance companies operating in the United States that are foreign-owned was 11 percent in 2009 (Table 1.5).

Practically, the same 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 2009, Canada controlled 23 companies; the Netherlands, 13; Switzerland, 13; Germany, 12; France, 11; the United Kingdom, 11 (Table 1.6).

Table 1.1

### U.S. Life Insurers Organizational Structure, by Number of Companies

	In business at year's end		Average annual percent change
	2008	2009	2008/2009
<b>Stock</b>	736	709	-3.7
<b>Mutual<sup>1</sup></b>	137	136	-0.7
<b>Fraternal<sup>2</sup></b>	95	93	-2.1
<b>Other<sup>3</sup></b>	8	8	0.0
<b>Total</b>	<b>976</b>	<b>946</b>	<b>-3.1</b>

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.

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

<sup>2</sup>Includes stock companies owned by fraternal benefit societies.

<sup>3</sup>Includes farm bureau, reciprocal, and risk retention groups.

Table 1.2

**Size of U.S. Life Insurers, by Organizational Structure, 2009 (millions)**

	<b>Stock</b>	<b>Mutual<sup>1</sup></b>	<b>Fraternal</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
<b>Life insurance in force</b>	\$12,977,309	\$4,706,695	\$310,079	\$144,212	\$18,138,295
<b>Life insurance purchased</b>	2,131,751	782,821	31,209	23,249	2,969,030
<b>Assets</b>	3,713,621	1,110,484	106,801	27,787	4,958,693
<b>Benefit payments<sup>3</sup></b>	392,345	104,760	7,314	2,700	507,119
<b>Premium income<sup>4</sup></b>	380,956	130,118	8,871	2,362	522,308

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

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<sup>1</sup>Includes stock companies owned by mutual holding companies.

<sup>2</sup>Includes farm bureau, reciprocal, and risk retention groups.

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

<sup>4</sup>Includes life insurance premiums, annuity considerations, and accident and health premiums.

Table 1.3

**Veterans Life Insurance, 2009**

	<b>Policies</b>	<b>Face amount in force (millions)</b>
<b>Veterans programs</b>		
U.S. Government Life Insurance	4,456	\$13
National Service Life Insurance	812,931	9,574
Veterans' Special Life Insurance	173,734	2,269
Service-Disabled Veterans Insurance	204,445	2,080
Veterans' Reopened Insurance	34,302	341
Veterans' Mortgage Life Insurance	2,293	169
Total	1,232,161	14,446
<b>Uniformed service member programs</b>		
Servicemembers' Group Life Insurance (SGLI)	2,395,500	901,317
Traumatic Injury Protection (TSGLI)*	-	230,850
SGLI Family Coverage	3,155,000	128,839
Veterans' Group Life Insurance	429,502	58,374
Total	5,980,002	1,319,380
Aggregate total	7,212,163	1,333,826

Source: U.S. Department of Veterans Affairs.

\*TSGLI is a rider to the basic SGLI coverage.

Table 1.4

**Insurance Industry Employment in the United States**

	<b>Number employed</b>			<b>Average annual percent change</b>	
	<b>1999</b>	<b>2008</b>	<b>2009</b>	<b>1999/2009</b>	<b>2008/2009</b>
<b>Home-office personnel</b>					
Life insurance	496,100	356,300	352,300	-3.4	-1.1
Health insurance	319,200	441,300	437,500	3.2	-0.9
Other	637,400	599,100	576,400	-1.0	-3.8
Total	1,452,700	1,396,700	1,366,200	-0.6	-2.2
<b>Agents, brokers, and service personnel</b>	783,400	908,500	880,500	1.2	-3.1
Aggregate total	2,236,100	2,305,200	2,246,700	0.0	-2.5

Source: U.S. Department of Labor, Bureau of Labor Statistics. Current Employment Statistics survey (National).

Note: The 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, 2005–2009**

	Number of companies					Average annual percent change	
	2005	2006	2007	2008	2009	2005/2009	2008/2009
U.S. life insurers	1,119	1,072	1,009	976	946	-4.1	-3.1
Foreign-owned U.S. life insurers	106	102	101	105	103	-0.7	-1.9
Percentage of U.S. life insurers	9.5%	9.5%	10.0%	10.8%	10.9%		

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. 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 Origin**

	Number of companies				
	2005	2006	2007	2008	2009
Barbados	-	2	2	2	2
Bermuda	2	3	3	4	5
Canada	24	24	26	26	23
Cayman Islands	5	5	6	5	5
France	11	13	13	11	11
Germany	6	4	5	12	12
Italy	1	1	1	1	1
Japan	3	2	3	3	3
Netherlands	17	15	15	13	13
South Africa	1	1	1	1	1
Spain	2	2	2	2	2
Sweden	1	1	1	1	1
Switzerland	16	12	11	13	13
United Kingdom	17	17	12	11	11
Total	106	102	101	105	103

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

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Table 1.7

**U.S. Life Insurers Organizational Structure, by Number of Companies and Year**

Year	In business at year's end				Total
	Stock	Mutual	Fraternal <sup>s</sup>	Other <sup>1</sup>	
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*	1,356	259	NA	35	1,650
1996*	1,331	240	NA	36	1,607
1997*	1,193	238	NA	45	1,476
1998*	1,167	248	NA	29	1,444
1999*	1,064	250	NA	33	1,347
2000*	1,016	223	NA	30	1,269
2001*	981	227	117	16	1,341
2002*	957	203	114	10	1,284
2003*	928	183	105	11	1,227
2004*	898	164	108	9	1,179
2005*	854	154	102	9	1,119
2006*	815	145	103	9	1,072
2007*	763	138	99	9	1,009
2008*	736	137	95	8	976
2009*	709	136	93	8	946

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.

<sup>1</sup>Includes 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	362,400	425,000	625,400	1,412,800	890,800	2,303,600
2007	352,800	431,200	613,000	1,397,000	909,800	2,306,800
2008	356,300	441,300	599,100	1,396,700	908,500	2,305,200
2009	352,300	437,500	576,400	1,366,200	880,500	2,246,700

Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics survey (National).

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