

2018

AMERICAN COUNCIL OF LIFE INSURERS

LIFE INSURERS FACT BOOK



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**LIFE INSURERS
FACT BOOK 2018**

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 approximately 290 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent 95 percent of industry assets, 93 percent of life insurance premiums, and 98 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) 2017 statutory data for the life industry as of June 2018, 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 2018*: Michele Alexander, Jim Bishop, Khari Cook, Ken Shields, Vagiz Sultanbikov, and Jiangmei Wang.

Andrew Melnyk, Ph.D.

Vice President, Research & Chief Economist

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 (2017 data), last year (2016 data), and 10 years previous (2007 data), along with the average annual percentage change over the last year and the last ten years. In cases where 2007 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

	2007	2016	2017	Average annual percent change	
				2007/2017	2016/2017
Life insurance in force (millions)¹					
Individual	\$10,231,765	\$11,991,547	\$11,927,253	1.5	-0.5
Group	9,157,919	8,245,991	8,410,652	-0.8	2.0
Credit	149,536	78,117	77,787	-6.3	-0.4
Total	19,539,219	20,315,655	20,415,692	0.4	0.5
Annuity considerations (millions)²					
Individual ³	\$192,503	\$202,312	\$164,790	-1.5	-18.5
Group	121,722	124,484	130,070	0.7	4.5
Total	314,225	326,795	294,861	-0.6	-9.8
Payments under life insurance and annuity contracts (millions)					
Payments to beneficiaries	\$57,957	\$76,039	\$77,057	2.9	1.3
Surrenders values ⁴	310,013	268,236	312,579	0.1	16.5
Policyholder dividends	19,519	18,447	17,725	-1.0	-3.9
Annuity payments ⁵	72,332	79,120	81,649	1.2	3.2
Matured endowments	623	448	464	-2.9	3.6
Other payments ⁶	564	708	608	0.8	-14.2
Total	461,008	442,998	490,083	0.6	10.6
Income of life insurers (millions)					
Life insurance premiums	\$142,661	\$119,334	\$141,794	-0.1	18.8
Annuity considerations ²	314,225	326,795	294,861	-0.6	-9.8
Health insurance premiums	151,462	164,002	170,498	1.2	4.0
Total	608,348	610,131	607,152	0.0	-0.5
Investment income	267,394	279,101	280,764	0.5	0.6
Other income ⁷	74,624	96,614	85,522	1.4	-11.5
Aggregate total	950,366	985,845	973,438	0.2	-1.3
Life insurers doing business in the United States (units)					
Stock	768	598	584	-2.7	-2.3
Mutual ⁸	133	113	112	-1.7	-0.9
Fraternal ⁹	99	78	76	-2.6	-2.6
Other ¹⁰	9	8	9	0.0	12.5
Total	1,009	797	781	-2.5	-2.0

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

¹Data represent net business.

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

³Includes 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.

⁵Excludes payments under deposit-type contracts.

⁶Includes some disability benefits and retained assets.

⁷Includes commissions and expense allowance on reinsurance ceded. Also, includes amortization of interest maintenance reserve.

⁸Includes stock companies owned by mutual holding companies.

⁹Includes stock companies owned by fraternal benefit societies.

¹⁰Includes farm bureau, reciprocal, and risk retention groups.

FACT BOOK 2018

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 2017, 781 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—584, 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 \$6.7 trillion of life insurance in force in 2017 and stock life insurers, \$13.2 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 2017, there were 76 fraternal life insurance companies that had \$346 billion of life insurance in force and \$172 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' Special Life Insurance in force totaled \$1.4 billion in 2017 (Table 1.3). U.S. Government Life Insurance, covering World War I veterans, had \$200,000 of insurance in force in 2017, while National Service Life Insurance, for veterans of World War II and those covered by the Insurance Act of 1951, totaled \$3.1 billion. Service-Disabled Veterans Insurance—for veterans separated from service after April 1951 who have a service-connected disability but are otherwise insurable—had \$2.9 billion of insurance in force in 2017.

The largest life insurance plan, Servicemembers' Group Life Insurance, had \$808 billion of insurance in force with 2.2 million policies at year-end 2017 (Table 1.3).

EMPLOYMENT

The insurance industry plays an important role in the nation's economy. In 2017, U.S. insurers employed 2.7 million individuals in all of their branches, a 2.4 percent increase from a year earlier (Table 1.4).

Government data on employees of insurance agencies and home offices in 2017 show 1.5 million insurance home-office personnel (348,300 in life insurance) and 1.1 million insurance agents, brokers, and service personnel.

FOREIGN OWNERSHIP

The proportion of life insurance companies operating in the United States that are foreign-owned was 13.7 percent in 2017 (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 2017, Canada controlled 27 companies; Japan, 15; Bermuda, 15; Switzerland, 14; Cayman Islands, 11; France, 8; the United Kingdom, 5; Germany, 5; the Netherlands, 4; Spain, 2; and Panama, 1 (Table 1.6).

Table 1.1

Number of U.S. Life Insurers, by Organizational Structure			
	In business at year's end		Average annual percent change
	2016	2017	2016/2017
Stock	598	584	-2.3
Mutual¹	113	112	-0.9
Fraternal²	78	76	-2.6
Other³	8	9	12.5
Total	797	781	-2.0

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 farm bureau, reciprocal, and risk retention groups.

Table 1.2

Size of U.S. Life Insurers, by Organizational Structure, 2017 (millions)					
	Stock	Mutual¹	Fraternal	Other²	Total
Life insurance in force	\$13,236,248	\$6,653,159	\$346,277	\$180,008	\$20,415,692
Life insurance purchased	1,989,990	1,024,533	38,051	24,925	3,077,499
Assets	5,299,433	1,683,328	171,862	28,749	7,183,372
Benefit payments³	479,014	135,048	10,164	1,757	625,982
Premium income⁴	443,044	151,942	10,274	1,892	607,152

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 holding companies.

²Includes farm bureau, reciprocal, and risk retention groups.

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.

Table 1.3

Veterans Life Insurance, 2017		
	Policies	Face amount in force (millions)
Veterans programs		
U.S. Government Life Insurance	76	\$0.2
National Service Life Insurance	241,273	3,066
Veterans' Special Life Insurance	98,537	1,444
Service-Disabled Veterans Insurance	275,073	2,887
Veterans' Reopened Insurance	9,364	99
Veterans' Mortgage Life Insurance	2,601	346
Total	626,924	7,844
Uniformed service member programs		
Servicemembers' Group Life Insurance (SGLI)	2,230,500	808,253
Traumatic Injury Protection (TSGLI)*	-	214,650
SGLI Family Coverage	2,768,000	114,228
Veterans' Group Life Insurance	431,170	73,835
Total	5,429,670	1,210,966
Aggregate total	6,056,594	1,218,810

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					
	Number employed			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Home-office personnel					
Life insurance	352,800	347,800	348,300	-0.1	0.1
Health insurance	434,400	471,100	499,300	1.4	6.0
Other	674,000	668,800	672,300	0.0	0.5
Total	1,461,200	1,487,700	1,519,900	0.4	2.2
Agents, brokers, and service personnel	930,500	1,105,000	1,135,700	2.0	2.8
Aggregate total	2,391,700	2,592,700	2,655,600	1.1	2.4

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, 2013–2017

	Number of companies					Average annual percent change	
	2013	2014	2015	2016	2017	2013/2017	2016/2017
U.S. life insurers	850	830	814	797	781	-2.1	-2.0
Foreign-owned U.S. life insurers	95	94	97	106	107	3.0	0.9
Percentage of U.S. life insurers	11.2%	11.3%	11.9%	13.3%	13.7%		

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 50 percent or more 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				
	2013	2014	2015	2016	2017
Barbados	1	1	1	-	-
Bermuda	15	13	14	15	15
Canada	23	28	27	27	27
Cayman Islands	2	3	5	10	11
France	8	8	8	8	8
Germany	6	5	5	5	5
Italy	-	-	-	-	-
Japan	5	6	10	15	15
Netherlands	13	5	4	4	4
Panama	-	-	-	1	1
South Africa	1	1	1	-	-
Spain	-	2	2	2	2
Sweden	-	-	-	-	-
Switzerland	15	15	14	14	14
United Kingdom	6	7	6	5	5
Total	95	94	97	106	107

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 50 percent or more of stock is owned by a foreign entity or entities.

Table 1.7

U.S. Life Insurers Organizational Structure, by Year

Year	In business at year's end				Total
	Stock	Mutual	Fraternal	Other	
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*	1,018	221	NA	30	1,269
2001*	986	222	117	16	1,341
2002*	956	204	114	10	1,284
2003*	931	180	105	11	1,227
2004*	901	161	108	9	1,179
2005*	857	151	102	9	1,119
2006*	818	142	103	9	1,072
2007*	768	133	99	9	1,009
2008*	741	132	95	8	976
2009*	714	131	93	8	946
2010*	700	121	89	7	917
2011*	687	117	85	6	895
2012*	660	120	82	6	868
2013*	648	113	82	7	850
2014*	636	106	81	7	830
2015*	616	110	81	7	814
2016*	598	113	78	8	797
2017*	584	112	76	9	781

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.

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	522,600	204,200	611,600	1,338,400	677,800	2,016,200
1991	537,200	219,000	613,500	1,369,700	681,400	2,051,100
1992	530,600	228,300	627,000	1,385,900	672,200	2,058,100
1993	552,500	237,900	640,400	1,430,800	684,000	2,114,800
1994	562,600	249,400	649,300	1,461,300	700,300	2,161,600
1995	547,200	260,100	626,800	1,434,100	712,600	2,146,700
1996	510,000	278,000	642,800	1,430,800	726,400	2,157,200
1997	505,300	292,100	678,800	1,476,200	744,100	2,220,300
1998	510,600	306,200	729,400	1,546,200	766,300	2,312,500
1999	496,100	319,200	742,800	1,558,100	783,400	2,341,500
2000	481,100	330,600	732,600	1,544,300	806,800	2,351,100
2001	470,300	340,500	728,600	1,539,400	823,000	2,362,400
2002	446,000	348,000	743,000	1,537,000	839,400	2,376,400
2003	440,500	351,400	753,400	1,545,300	856,200	2,401,500
2004	392,400	374,900	721,000	1,488,300	879,200	2,367,500
2005	334,500	430,400	680,900	1,445,800	893,200	2,339,000
2006	362,400	428,200	677,100	1,467,700	911,400	2,379,100
2007	352,800	434,400	674,000	1,461,200	930,500	2,391,700
2008	356,300	444,500	674,600	1,475,400	929,600	2,405,000
2009	362,600	440,300	660,400	1,463,300	907,400	2,370,700
2010	366,400	437,700	641,100	1,445,200	895,500	2,340,700
2011	346,700	442,300	637,200	1,426,200	910,300	2,336,500
2012	347,300	463,900	625,200	1,436,400	931,800	2,368,200
2013	340,600	472,600	619,900	1,433,100	955,800	2,388,900
2014	334,400	494,600	619,800	1,448,800	1,017,100	2,465,900
2015	330,200	499,500	636,700	1,466,400	1,071,800	2,538,200
2016	347,800	471,100	668,800	1,487,700	1,105,000	2,592,700
2017	348,300	499,300	672,300	1,519,900	1,135,700	2,655,600

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

Notes: Figures comprise only those on the payroll of insurers that participate in the unemployment insurance program; The Bureau of Labor Statistics adjusts annual employment data in April of the year following its survey.

The Bureau of Labor Statistics adjusts annual employment data in April of the year following its survey.

2 ASSETS

Assets held by life insurers back the companies' life, annuity, and health liabilities. Accumulating these assets—via the collection of premiums from policyholders and earnings on investments—provides the U.S. economy with an important source of investment capital. Life insurers held \$7.2 trillion in assets in 2017 (Table 2.1). Assets of U.S. life insurers rose 6.1 percent during 2017 (Table 2.2).

Financial instruments comprise most life insurance company assets and can generally be classified into:

- Bonds, both corporate and government
- Stocks
- Mortgage and real estate holdings
- Policy loans

A life insurer divides its assets between two accounts that differ largely in the nature of the liabilities or obligations for which the assets are being held and invested. The *general account* supports contractual obligations for guaranteed, fixed-dollar benefit payments, such as life insurance policies. The *separate account* supports liabilities associated with investment risk pass-through products or lines of business, such as variable annuities, variable life insurance, and pension products.

State laws allow assets in separate accounts to be invested without regard to the restrictions usually placed on the general account. A separate account portfolio might comprise only common stocks or bonds or mortgages, or some combination of these and other investments. Separate account assets totaled \$2.7 trillion at the end of 2017—up 9 percent from the previous year (Table 2.2). General account assets amounted to \$4.4 trillion in 2017, up 4 percent from 2016.

BOND HOLDINGS AND ACQUISITIONS

Bonds are publicly traded debt securities. Often referred to as fixed-income securities, bonds generally offer low risk and a greater certainty of rates of return. Not only does the borrower (seller of the bond) agree to pay a fixed amount of interest periodically and repay a fixed amount of principal at maturity, but the obligation to make payments on the bond takes precedence over other claims of lenders and stockholders.

At year-end 2017, 48 percent of life insurer assets were held in bonds. Total bond holdings of both general and separate accounts amounted to \$3.5 trillion, up \$132 billion from 2016 (Tables 2.1–2.2). Holdings of bonds in separate accounts increased 4 percent in 2017 to \$399 billion. Bond holdings in general accounts increased to \$3.1 trillion (Table 2.2).

Bonds are issued by a variety of borrowing organizations, including domestic and foreign corporations, the U.S. Treasury, various U.S. government agencies, and state, local, and foreign governments. Long-term U.S. Treasury securities in the general account totaled \$151 billion, U.S. government obligations \$52 billion, and foreign government bonds \$95 billion (Table 2.3). The largest portion of long-term bonds was in unaffiliated securities, with both U.S. and foreign investments totaling \$2.1 trillion, or more than two-thirds of all long-term general account bonds (69%). Long-term bonds issued by U.S. states, territories, and political subdivisions came to \$49 billion, while bonds issued for revenue, assessment, and industrial development totaled \$125 billion.

Types of Bonds

Corporate Bonds

Life insurers are significant investors in the corporate bond market, having been the largest institutional holder of corporate bonds issued in U.S. markets since the 1930s. Private or direct placements—where the financial institution negotiates directly with the corporation over the terms of the offering—account for a sizable share of life insurer investments in corporate bonds. Life insurance companies are the major lenders in the direct placement market.

Corporate debt issues in 2017 represented the largest component of life insurer assets at 33 percent (Table 2.1). Corporate debt issues totaled \$2.4 trillion by year's end (Table 2.2). These investments have generally increased steadily for many years and have grown at a 1.9 percent annual rate in the last decade.

Government Bonds

Bonds of the U.S. government include U.S. Treasury securities and others issued by federal agencies. Total government securities rose to \$547 billion at the end of 2017, up \$25 billion from the previous year (Tables 2.1–2.2). These holdings include U.S. Treasury and federal agency guaranteed obligations, special revenue, and other issues of the 50 states, District of Columbia, Puerto Rico, and U.S. territories and possessions and their political subdivisions.

The vast majority of long-term securities were invested in U.S. government securities (\$445 billion) as opposed to those of foreign governments and international agencies (\$102 billion), such as the International Bank for Reconstruction and Development (Table 2.1).

Characteristics of Bonds

Maturity

Bonds have limited lives and expire on a given date, called the issue's maturity date. Thirty percent of general account bonds held at year-end 2017 had a maturity between five and 10 years. Another 25 percent matured between one and five years, 21 percent had a maturity over 20 years, 18 percent matured between 10 and 20 years, and 7 percent had a maturity of one year or less (Table 2.4).

At the time of purchase, 40 percent of bonds had a maturity date of 20 years or more, while 33 percent had a maturity date of 10 to 20 years (Table 2.5). Bonds with maturity dates of five to 10 years (23%), and less than five years (4%) made up the remainder.

Quality

In purchasing a bond, investors examine its quality. The higher the quality of the bond, the lower the risk, and the higher the degree of assurance that investors will get their money back at maturity. Consequently, high-quality bonds are ideal for long-term capital accumulation.

Bond holdings can be categorized among six quality classes established by the National Association of Insurance Commissioners. At year-end 2017, 94 percent of total general account bonds were investment grade, Classes 1 and 2 (Table 2.6). The percentage of total bonds in or near default (Class 6) was 0.1 percent.

Of the \$3.1 trillion in general account bonds held by insurance companies in 2017, \$2.2 trillion was invested in publicly traded bonds and \$978 billion in privately traded bonds (Table 2.6). Ninety-six percent of the publicly traded bonds were investment grade (Classes 1 and 2) compared with 90 percent of the privately traded bonds. Of the publicly traded bonds, 0.02 percent were in or near default (Class 6), compared with 0.2 percent of the privately traded bonds.

STOCK HOLDINGS AND ACQUISITIONS

Life insurers' changing portfolios reflect long-term shifts in investment demand. Since the early 1990s, the share of assets held in stocks has been increasing. The average annual growth in equity holdings was 3.1 percent between 2007 and 2017 (Table 2.2).

Historically, stocks had been a small percentage of total assets for reasons rooted in both the investment philosophy of the industry and the laws regulating life insurance. Stocks had not been heavily used as a major investment medium for funds backing life insurance policies because of the policies' contractual guarantees for specified dollar amounts.

Part of the investment shift is due to changes in the relative yields of various investment types. Other factors are the introduction of variable life insurance and the growth in funding pension plans with equity securities of life insurers and variable annuities. State laws generally permit certain assets of these and other plans to be maintained in an account separate from a company's other assets, with up to 100 percent invested in stocks or other equities.

Life insurer holdings of corporate stock rose 10 percent between 2016 and 2017 to \$2.3 trillion, accounting for 31 percent of total assets. At year-end 2017, \$2.1 trillion, or 95 percent, of stock held by life insurance companies was in separate accounts (Table 2.1-2.2).

Common stock accounted for \$2.2 trillion, or 99 percent, of all stock held by life insurers in 2017 (Table 2.1). Holdings of common stock increased 10 percent in 2017, while there was a 6 percent increase in preferred stock holdings (Tables 2.1–2.2).

MORTGAGES

Mortgages generally are considered riskier fixed-income investments than bonds. Over the past few decades, life insurers have slightly reduced the relative size of their mortgage portfolios in favor of other investments, including mortgage-backed securities (MBS). In 2017,

mortgages increased 9 percent to \$514 billion and accounting for 7 percent of combined account assets (Tables 2.1–2.2).

Properties underlying life insurer holdings of non-farm, nonresidential mortgages cover a broad range of commercial, industrial, and institutional uses. Among them are retail stores and shopping centers, office buildings and factories, hospitals and medical centers, and apartment buildings. Commercial mortgages have grown in importance, representing 92 percent (\$472 billion) of U.S. mortgages held by life insurers at the end of 2017 (Table 2.1). Mortgages for residential properties were \$20 billion, or 3.9 percent of total mortgages held by life insurers on U.S. properties. Farm mortgages were \$22 billion, accounting for 4.2 percent of total mortgages in 2017.

Almost all of the mortgages held by life insurers were in good standing (99.6%) in 2017. Of industry-held mortgages, only 0.4 percent were either restructured, overdue, or in foreclosure in 2017 (Table 2.7).

At year-end 2017, \$8 billion (2%) was held in general account mortgages with a loan-to-value ratio above 95 percent, compared with \$437 billion (89%) in mortgages with a loan-to-value ratio below 71 percent (Table 2.8).

REAL ESTATE

U.S. life insurers' holdings of directly owned real estate were \$43 billion at the end of 2017. This represents a 9 percent decrease from 2016 (Table 2.9).

By the end of 2017, real estate amounted to .6 percent of life insurers' assets (Table 2.1). Real estate holdings in separate accounts decreased \$3.2 billion during the year as real estate in general accounts decreased \$963 million (Table 2.2).

Real estate held to produce income totaled \$36 billion, or 84 percent of all real estate owned, while real estate held for sale amounted to \$638 million (Table 2.9, Figure 2.4). The remainder was in land and property held for company use, primarily home and regional offices.

POLICY LOANS

Life insurance companies can loan money to policyholders up to the cash value of their life insurance. Life insurers must make these policy loans from funds that otherwise would be invested. Since premium rates are based in part on an anticipated investment return, interest must be charged on the loans. Because the amount of a policy's protection is reduced by the amount of the loan, life insurers advise policyholders that an outstanding loan can seriously impair a family's insurance planning. The policy loan amounts shown in Tables 2.1–2.2 do not include loans made to policyholders by banks or other lending institutions holding borrowers' life insurance policies as collateral.

Life insurer loans to policyholders against the cash value of their life insurance amounted to \$137 billion by year-end 2017, up 1 percent from the loans outstanding a year earlier (Tables 2.1–2.2). Policy loans accounted for 2 percent of company assets at the end of 2017.

FOREIGN-CONTROLLED ASSETS

Foreign-controlled assets were \$1.6 trillion, or 22.1 percent of total industry assets in 2017, up from 2016 (Table 2.10). Canada, followed by the United Kingdom, the Netherlands, and France own the most foreign-controlled assets of U.S. life insurers.

Table 2.1

Distribution of Life Insurer Assets, by Account Type, 2017 (millions)

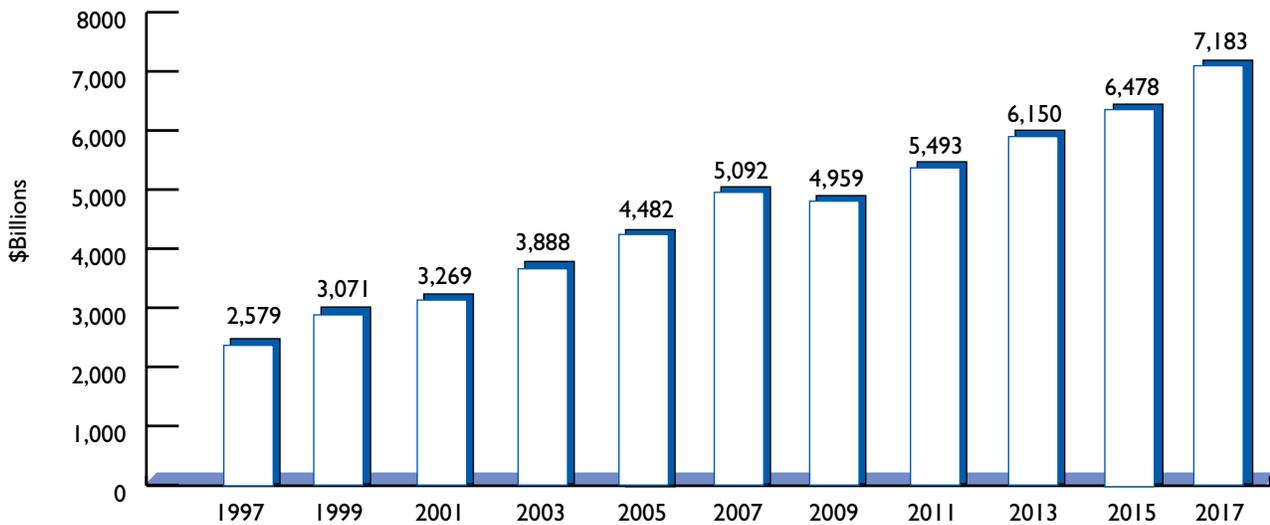
	General account		Separate account		Combined accounts	
	Year's end	Percent distribution	Year's end	Percent distribution	Year's end	Percent distribution
Bonds						
Government securities						
U.S.	\$377,178	8.5	\$67,418	2.5	\$444,596	6.2
Foreign	94,536	2.1	7,803	0.3	102,339	1.4
Total government	471,714	10.6	75,221	2.7	546,935	7.6
Corporate securities	2,150,801	48.4	214,126	7.8	2,364,927	32.9
Mortgage-backed securities ¹	458,257	10.3	109,467	4.0	567,724	7.9
Total long-term bonds	3,080,772	69.4	398,814	14.5	3,479,586	48.4
Stocks						
Common	101,110	2.3	2,148,707	78.3	2,249,817	31.3
Preferred	11,065	0.2	818	0.0	11,883	0.2
Total	112,175	2.5	2,149,525	78.3	2,261,700	31.5
Mortgages						
Farm	19,719	0.4	1,959	0.1	21,678	0.3
Residential	20,190	0.5	63	0.0	20,253	0.3
Commercial	448,717	10.1	22,903	0.8	471,620	6.6
Total	488,626	11.0	24,926	0.9	513,551	7.1
Real estate	23,783	0.5	18,934	0.7	42,718	0.6
Policy loans	131,771	3.0	4,771	0.2	136,542	1.9
Short-term investments	34,981	0.8	12,366	0.5	47,348	0.7
Cash & cash equivalents	72,571	1.6	27,907	1.0	100,478	1.4
Derivatives	58,705	1.3	3,541	0.1	62,246	0.9
Other invested assets	209,252	4.7	79,847	2.9	289,099	4.0
Non-invested assets	226,983	5.1	23,120	0.8	250,104	3.5
Aggregate total	4,439,620	100.0	2,743,752	100.0	7,183,372	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. Data reflect investments held at year's end. Data represent U.S. life insurers and fraternal benefit societies.

¹Includes Ginnie Mae (GNMA).

Figure 2.1

Growth of Life Insurer Assets

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.

Table 2.2

Distribution of Life Insurer Assets, by Account Type and Year¹

	General account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Bonds					
Government	\$462,148	\$449,211	\$471,714	0.2	5.0
Corporate	1,812,919	2,054,331	2,150,801	1.7	4.7
MBS ¹	NA	460,685	458,257	NA	-0.5
Total	2,275,067	2,964,227	3,080,772	3.1	3.9
Stocks					
Common	81,555	92,810	101,110	2.2	8.9
Preferred	66,400	10,156	11,065	-16.4	8.9
Total	147,955	102,966	112,175	-2.7	8.9
Mortgages	324,714	448,764	488,626	4.2	8.9
Real estate	19,972	24,746	23,783	1.8	-3.9
Policy loans	116,047	129,704	131,771	1.3	1.6
Short-term investments	NA	58,362	34,981	NA	-40.1
Cash & cash equivalents	36,066	45,870	72,571	7.2	58.2
Derivatives	NA	62,046	58,705	NA	-5.4
Other invested assets	122,410	188,364	209,252	5.5	11.1
Non-invested assets	137,917	226,544	226,983	5.1	0.2
Aggregate total	3,180,148	4,251,592	4,439,620	3.4	4.4

Continued

Table 2.2

Distribution of Life Insurer Assets, by Account Type and Year—Continued

	Separate account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Bonds					
Government	\$99,342	\$72,796	\$75,221	-2.7	3.3
Corporate	144,431	203,089	214,126	4.0	5.4
MBS ¹	NA	107,503	109,467	NA	1.8
Total	243,773	383,388	398,814	5.0	4.0
Stocks					
Common	1,518,752	1,951,501	2,148,707	3.5	10.1
Preferred	3,631	1,107	818	-13.8	-26.1
Total	1,522,383	1,952,608	2,149,525	3.5	10.1
Mortgages	11,436	23,340	24,926	8.1	6.8
Real estate	14,971	22,178	18,934	2.4	-14.6
Policy loans	586	4,889	4,771	23.3	-2.4
Short-term investments	NA	17,118	12,366	NA	-27.8
Cash & cash equivalents	23,513	17,465	27,907	1.7	59.8
Derivatives	NA	2,474	3,541	NA	43.2
Other invested assets	60,601	67,316	79,847	2.8	18.6
Non-invested assets	34,174	29,647	23,120	-3.8	-22.0
Aggregate total	1,911,438	2,520,422	2,743,752	3.7	8.9
	Combined accounts (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Bonds					
Government	\$561,490	\$522,007	\$546,935	-0.3	4.8
Corporate	1,957,350	2,257,419	2,364,927	1.9	4.8
MBS ¹	NA	568,188	567,724	NA	-0.1
Total	2,518,840	3,347,615	3,479,586	3.3	3.9
Stocks					
Common	1,600,308	2,044,311	2,249,817	3.5	10.1
Preferred	70,031	11,263	11,883	-16.3	5.5
Total	1,670,338	2,055,574	2,261,700	3.1	10.0
Mortgages	336,150	472,104	513,551	4.3	8.8
Real estate	34,943	46,925	42,718	2.0	-9.0
Policy loans	116,633	134,593	136,542	1.6	1.4
Short-term investments	NA	75,480	47,348	NA	-37.3
Cash & cash equivalents	59,579	63,335	100,478	5.4	58.6
Derivatives	NA	64,520	62,246	NA	-3.5
Other invested assets	183,010	255,679	289,099	4.7	13.1
Non-invested assets	172,091	256,191	250,104	3.8	-2.4
Aggregate total	5,091,586	6,772,014	7,183,372	3.5	6.1

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 reflect investments held at year's end. Data represent U.S. life insurers and fraternal benefit societies.

¹Includes Ginnie Mae (GNMA).

NA: Not available

Table 2.3

Distribution of Long-Term General Account Bond Investments

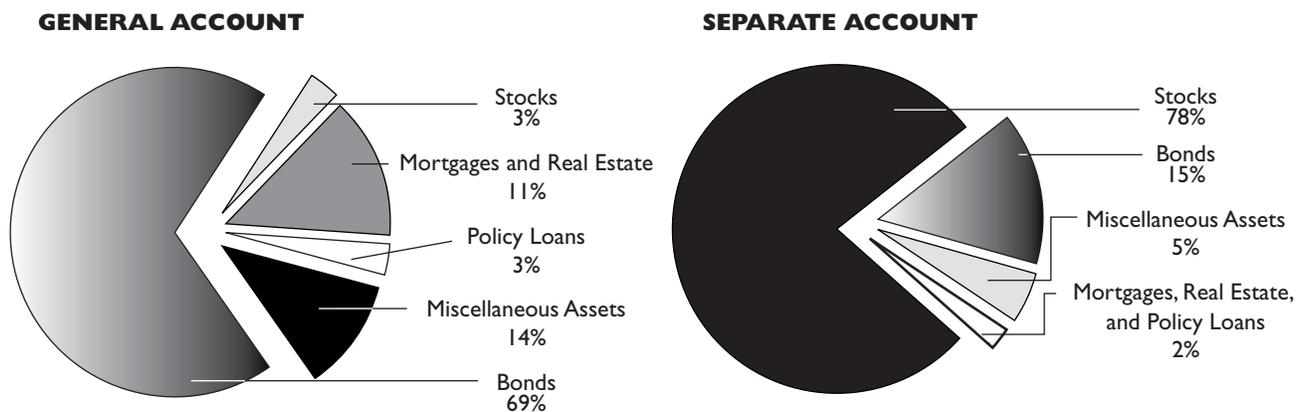
	2016		2017	
	Amount (millions)	Percent distribution	Amount (millions)	Percent distribution
U.S. Treasury securities	\$147,223	5.0	\$151,326	4.9
U.S. government obligations	50,113	1.7	51,682	1.7
Foreign government	87,171	2.9	94,536	3.1
U.S. states and territories	19,572	0.7	19,188	0.6
U.S. political subdivisions	28,330	1.0	29,577	1.0
Revenue and assessment	114,029	3.8	122,780	4.0
Industrial development	2,773	0.1	2,625	0.1
Mortgage-backed securities	460,685	15.5	458,257	14.9
Pass-through securities				
GNMA	12,440	0.4	11,032	0.4
FNMA and FHLMC	95,441	3.2	99,199	3.2
Privately issued	13,073	0.4	5,613	0.2
CMOs and REMICs				
GNMA, FNMA, FHLMC or VA	115,563	3.9	121,041	3.9
Privately issued and collateralized by MBS	5,756	0.2	6,255	0.2
All other privately issued	218,412	7.4	215,118	7.0
Other				
Unaffiliated securities	2,022,277	68.2	2,117,722	68.7
Affiliated securities	32,054	1.1	33,079	1.1
Total	2,964,227	100.0	3,080,772	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. Data represent U.S. life insurers and fraternal benefit societies.

Figure 2.2

Asset Distribution of Life Insurers, 2017



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.

Table 2.4

Distribution of General Account Bonds, by Remaining Maturity, 2013–2017

	Percentage of general account bonds held at year's end					Total
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	More than 10 years to 20 years	More than 20 years	
Government						
2013	9.9	17.5	19.1	25.4	28.0	100.0
2014	8.5	17.9	19.0	25.8	28.7	100.0
2015	10.2	19.1	18.2	24.8	27.7	100.0
2016	11.2	20.0	18.1	24.6	26.0	100.0
2017	8.2	20.7	19.5	25.5	26.1	100.0
Corporate						
2013	8.0	27.6	34.3	11.8	18.3	100.0
2014	8.8	26.1	34.3	12.3	18.5	100.0
2015	7.7	26.2	34.4	13.0	18.7	100.0
2016	6.9	26.3	34.0	13.8	19.0	100.0
2017	6.1	26.3	33.2	15.3	19.1	100.0
Total						
2013	8.5	25.2	30.6	15.1	20.6	100.0
2014	8.8	24.1	30.7	15.5	20.9	100.0
2015	8.3	24.5	30.6	15.8	20.8	100.0
2016	7.9	24.8	30.2	16.4	20.7	100.0
2017	6.6	25.0	29.9	17.7	20.7	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. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.5

Distribution of General Account Long-Term Bonds at Time of Purchase, 2017

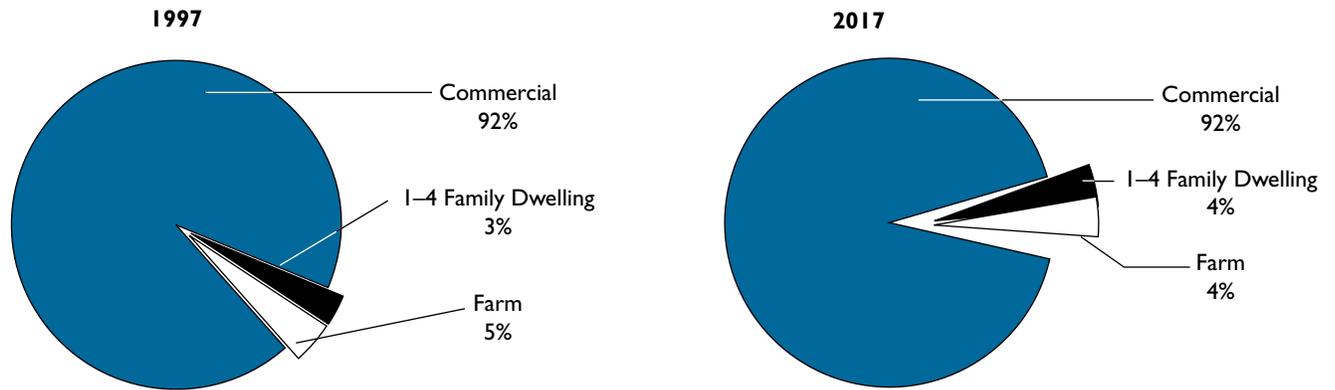
Maturity	Percent distribution
20 years and over	39.7
10 years to less than 20 years	32.9
5 years to less than 10 years	23.1
Less than 5 years	4.3
Total	100.0

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

Figure 2.3

Mortgages Held by Life Insurers, by Type

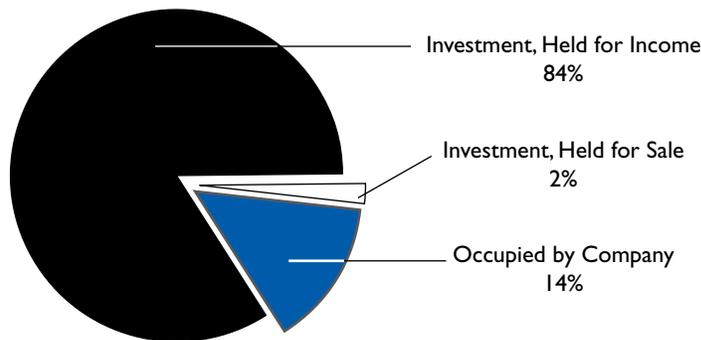


Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers, and for 2017, fraternal benefit societies.

Figure 2.4

Real Estate Owned by Life Insurers, 2017



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.

Table 2.7

Quality of Mortgages Held by Life Insurers (millions)

	2007		2016		2017	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent distribution
Farm						
In good standing	\$17,252	99.8	\$20,389	99.4	\$21,527	99.3
Restructured	14	0.1	11	0.1	11	0.0
Overdue	13	0.1	23	0.1	63	0.3
Foreclosed	11	0.0	88	0.4	78	0.4
Total	17,291	100.0	20,512	100.0	21,678	100.0
Residential						
In good standing	5,409	99.8	15,950	95.6	19,302	95.3
Restructured	-	-	306	1.8	393	1.9
Overdue	8	0.1	316	1.9	400	2.0
Foreclosed	5	0.1	104	0.6	159	0.8
Total	5,421	100.0	16,675	100.0	20,253	100.0
Commercial						
In good standing	313,171	99.9	433,292	99.6	470,419	99.7
Restructured	181	0.1	1,037	0.2	1,030	0.2
Overdue	68	0.0	426	0.1	74	0.0
Foreclosed	18	0.0	162	0.0	97	0.0
Total	313,438	100.0	434,917	100.0	471,620	100.0
All categories						
In good standing	335,832	99.9	469,631	99.5	511,248	99.6
Restructured	196	0.1	1,353	1.0	1,433	0.3
Overdue	89	0.0	765	0.2	537	0.1
Foreclosed	33	0.0	355	0.1	333	0.1
Aggregate total	336,150	100.0	472,104	100.0	513,551	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. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.8

General Account Mortgages for Life Insurers, by Type and Loan-to-Value Ratios, 2017 (millions)

Loan-to-value ratio	Farm	Non-Farm	Total
Above 95%	\$13	\$8,481	\$8,494
91–95%	-	1,615	1,615
81–90%	4	6,478	6,481
71–80%	165	34,590	34,755
Below 71%	19,536	417,743	437,279
Total	19,719	468,907	488,626

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.

Table 2.9

Real Estate Owned by Life Insurers, by Type

	Millions		Average annual percent change		
	2007	2016	2017	2007/2017	2016/2017
Investment property					
Held for income	\$27,810	\$39,794	\$35,911	2.6	-9.8
Held for sale	992	987	638	-4.3	-35.3
Total	28,802	40,781	36,549	2.4	-10.4
Occupied by company	6,141	6,143	6,169	0.0	0.4
Aggregate total	34,943	46,925	42,718	2.0	-9.0

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

Table 2.10

Foreign-Controlled Assets of U.S. Life Insurers, by Country and Year (millions)					
	2013	2014	2015	2016	2017
Barbados	\$1,176	\$1,215	\$1,194	-	-
Bermuda	89,007	94,877	111,457	\$121,070	\$137,600
Canada	344,441	367,415	350,166	356,693	386,661
Cayman Islands	1,822	2,096	7,342	26,800	50,351
France	166,256	173,077	171,193	180,995	202,002
Germany	119,998	130,573	135,192	153,145	164,365
Italy	-	-	-	-	-
Japan	7,022	8,566	66,381	128,467	137,579
Netherlands	393,149	209,140	207,850	213,801	217,573
Panama	-	-	-	113	115
South Africa	4	4	4	-	-
Spain	-	94	84	82	84
Switzerland	39,600	40,636	38,626	41,056	41,249
United Kingdom	174,609	205,913	202,752	220,391	246,487
Total	1,337,085	1,233,605	1,292,241	1,442,612	1,584,066
Percentage of industry assets	21.7%	19.3%	19.9%	21.3%	22.1%

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 controlled if 50 percent or more of stock is owned by a foreign entity or entities.

Table 2.11

Asset Distribution of Life Insurers, by Year (millions)

Year	Bonds	Stocks	Mortgages	Real estate	Policy loans	Miscellaneous assets	Total
1917	\$2,537	\$83	\$2,021	\$179	\$810	\$311	\$5,941
1920	3,298	75	2,442	172	859	474	7,320
1925	4,333	81	4,808	266	1,446	604	11,538
1930	6,431	519	7,598	548	2,807	977	18,880
1935	10,041	583	5,357	1,990	3,540	1,705	23,216
1940	17,092	605	5,972	2,065	3,091	1,977	30,802
1945	32,605	999	6,636	857	1,962	1,738	44,797
1950	39,366	2,103	16,102	1,445	2,413	2,591	64,020
1955	47,741	3,633	29,445	2,581	3,290	3,742	90,432
1960	58,555	4,981	41,771	3,765	5,231	5,273	119,576
1965	70,152	9,126	60,013	4,681	7,678	7,234	158,884
1970	84,166	15,420	74,375	6,320	16,064	10,909	207,254
1975	121,014	28,061	89,167	9,621	24,467	16,974	289,304
1980	212,618	47,366	131,080	15,033	41,411	31,702	479,210
1981	233,308	47,670	137,747	18,278	48,706	40,094	525,803
1982	268,288	55,730	141,989	20,624	52,961	48,571	588,163
1983	308,738	64,868	150,999	22,234	54,063	54,046	654,948
1984	358,897	63,335	156,699	25,767	54,505	63,776	722,979
1985	421,446	77,496	171,797	28,822	54,369	71,971	825,901
1986	486,583	90,864	193,842	31,615	54,055	80,592	937,551
1987	557,110	96,515	213,450	34,172	53,626	89,586	1,044,459
1988	640,094	104,373	232,863	37,371	54,236*	97,933	1,166,870
1989	716,204	125,614	254,215	39,908	57,439	106,376	1,299,756
1990	793,443	128,484	270,109	43,367	62,603	110,202	1,408,208
1991	893,005	164,515	265,258	46,711	66,364	115,348	1,551,201
1992	990,315	192,403	246,702	50,595	72,058	112,458	1,664,531
1993	1,113,853	251,885	229,061	54,249	77,725	112,354	1,839,127
1994	1,186,139	281,816	215,332	53,813	85,499	119,674	1,942,273
1995	1,278,416	371,867	211,815	52,437	95,939	133,070	2,143,544
1996	1,348,425	477,505	207,779	49,484	100,460	139,894	2,323,547
1997	1,451,289	598,358	209,898	46,076	104,549	168,908	2,579,078
1998	1,518,998	757,958	216,336	41,313	104,507	187,410	2,826,522
1999	1,551,618	989,762	229,797	38,186	98,757	162,533	3,070,653
2000	1,605,178	997,329	236,701	36,059	101,978	204,491	3,181,736
2001	1,731,792	909,026	243,596	32,368	104,273	247,966	3,269,019
2002	1,955,548	791,429	250,531	32,848	105,229	244,414	3,380,000
2003 ‡	2,181,533	1,022,071	268,986	30,673	107,007	277,921	3,888,190
2004 ‡	2,347,322	1,179,397	282,534	31,005	108,658	303,470	4,252,385
2005 ‡	2,440,412	1,285,468	294,876	32,574	109,500	319,165	4,481,995
2006 ‡	2,461,479	1,530,892	313,741	33,096	112,914	370,701	4,822,824
2007 ‡	2,571,525	1,670,338	336,150	34,943	116,633	361,997	5,091,586
2008 ‡	2,429,173	1,135,797	352,676	32,497	122,485	575,518	4,648,147
2009 ‡	2,581,575	1,385,923	336,316	27,714	123,283	503,884	4,958,693
2010 ‡	2,744,758	1,570,225	326,988	27,851	126,821	514,561	5,311,204
2011 ‡	2,877,492	1,546,085	342,831	28,909	129,333	568,008	5,492,658
2012 ‡	2,935,705	1,725,259	354,053	30,559	130,715	601,129	5,777,420
2013 ‡	3,000,116	2,003,944	373,716	31,285	131,672	609,567	6,150,300
2014 ‡	3,107,150	2,072,474	395,079	31,511	133,350	666,396	6,405,961
2015 ‡	3,201,985	2,000,887	437,171	44,471	134,713	658,592	6,477,819
2016 ‡	3,347,615	2,055,574	472,104	46,925	134,593	715,205	6,772,014
2017 ‡	3,479,586	2,261,700	513,551	42,718	136,542	749,275	7,183,372

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. Beginning with 1962, data include assets in separate accounts. Data represent U.S. life insurers and, as 2003, fraternal benefit societies.

*Excludes an estimated \$600 million of securitized policy loans.

‡Includes fraternal benefit societies.

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 2017, policy reserves of U.S. life insurers totaled \$5.5 trillion, 5.9 percent higher than 2016 (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

The composition of life insurer policy reserves has changed over the years, reflecting a shift in the basic types of business undertaken. 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 2017, reserves for life insurance comprised 28 percent of total policy reserves, at \$1.6 trillion (Figure 3.2, Table 3.2). This proportion has shrunk from 1980, when life insurance products commanded 51 percent of total reserves (Table 3.6). In 2017, these reserves consisted of \$1.4 trillion for individual life policies, \$179 billion for group policies, and less than \$1 billion for credit life policies (Table 3.2).

By contrast, reserves for annuities and supplementary contracts climbed to two-thirds of total reserves in 2017 (67%), or \$3.7 trillion, from 46 percent in 1980. Much of the increase reflects the strong growth in retirement plans administered by life insurers.

In 2017, annuity reserves consisted of \$2.5 trillion for individual annuities, up 6.6 percent from 2016, and \$1.1 trillion for group annuities, up 7.2 percent. General account annuity reserves increased 2.9 percent while separate account annuity reserves increased 10 percent (Table 3.2). 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 2017 totaled \$24 billion, and for health insurance policies, \$279 billion.

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 2017, \$204 billion was deposited to these contracts and \$199 billion was withdrawn, with a total reserve of \$530 billion at year's end (Table 3.3).

In 2017, premium and other deposit funds remained the largest category of the deposit-type business with \$114 billion in deposits, \$114 billion in payments, and \$229 billion in reserve at year-end. GICs received \$71 billion from policyholders and paid out \$63 billion in 2017, leaving a reserve of \$190 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 2017, the industry's total AVR increased 11.4 percent to \$57 billion, and its IMR increased 6.7 percent to \$25 billion (Table 3.1).

OTHER LIABILITIES

In addition to reserves, other liability funds of U.S. life insurers at the end of 2017 included \$48 billion in policy and contract claims; \$18 billion set aside for the following year's dividend payments to policyholders; and \$512 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 \$413 billion for U.S. life insurers at the end of 2017 (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 2017, the aggregate capital ratio of U.S. life insurers was 10.6 percent (Table 3.4).

Life insurance regulators created the risk-based capital (RBC) ratio to monitor life insurance company solvency. 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. 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 2017, the ratio decreased 10 percentage points from 2016 level to 470 percent (Table 3.5).

Most companies have an RBC ratio well above the regulatory minimum level of 100 percent. By year-end 2017, 723 companies, or 95 percent of life insurers, had a ratio of 200 percent or more. These companies carried 99.3 percent of the industry's total assets.

Table 3.1

Liabilities and Surplus Funds of Life Insurers					
	General account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Reserves					
Policy reserves ¹	\$2,158,956	\$2,988,398	\$3,087,667	3.6	3.3
Other reserves					
Liabilities for deposit-type contracts ²	355,083	303,533	318,582	-1.1	5.0
Asset valuation reserve (AVR)	45,913	51,514	57,393	2.3	11.4
Policy and contract claims	41,120	45,795	48,489	1.7	5.9
Funds set aside for policyholder dividends	20,134	17,942	17,727	-1.3	-1.2
Interest maintenance reserve (IMR)	11,817	23,628	25,318	7.9	7.2
Miscellaneous reserves ³	14,899	33,640	37,524	9.7	11.5
Total other reserves	488,965	476,052	505,033	0.3	6.1
Total reserves	2,647,921	3,464,451	3,592,701	3.1	3.7
Non-reserve liabilities					
Total liabilities	275,826	391,235	436,071	4.7	11.5
Total liabilities	2,923,748	3,855,685	4,028,771	3.3	4.5
Capital and surplus					
Total liabilities and surplus funds	256,400	395,907	410,849	4.8	3.8
Total liabilities and surplus funds	3,180,148	4,251,592	4,439,620	3.4	4.4
Separate account (millions)					
	2007			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Reserves					
Policy reserves ¹	\$1,631,689	\$2,243,273	\$2,454,409	4.2	9.4
Other reserves					
Liabilities for deposit-type contracts ²	161,823	191,939	211,852	2.7	10.4
Interest maintenance reserve (IMR)	131	74	-38	NC	NC
Total other reserves	161,953	192,013	211,814	2.7	10.3
Total reserves	1,793,642	2,435,286	2,666,223	4.0	9.5
Non-reserve liabilities					
Total liabilities	92,365	82,835	75,447	-2.0	-8.9
Total liabilities	1,886,007	2,518,120	2,741,670	3.8	8.9
Surplus					
Total liabilities and surplus funds	25,431	2,302	2,082	-22.1	-9.5
Total liabilities and surplus funds	1,911,438	2,520,422	2,743,752	3.7	8.9

Continued

Table 3.1

Liabilities and Surplus Funds of Life Insurers—Continued

	Combined account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Reserves					
Policy reserves ¹	\$3,790,645	\$5,231,672	\$5,542,077	3.9	5.9
Other reserves					
Liabilities for deposit-type contracts ²	516,905	495,471	530,434	0.3	7.1
Asset valuation reserve (AVR)	45,913	51,514	57,393	2.3	11.4
Policy and contract claims	41,120	45,795	48,489	1.7	5.9
Funds set aside for policyholder dividends	20,134	17,942	17,727	-1.3	-1.2
Interest maintenance reserve (IMR)	11,948	23,702	25,280	7.8	6.7
Miscellaneous reserves ³	14,899	33,640	37,524	9.7	11.5
Total other reserves	650,919	668,065	716,847	1.0	7.3
Total reserves	4,441,564	5,899,736	6,258,924	3.5	6.1
Non-reserve liabilities	368,191	474,069	511,517	3.3	7.9
Total liabilities	4,809,755	6,373,806	6,770,441	3.5	6.2
Capital and surplus	281,831	398,209	412,931	3.9	3.7
Total liabilities and surplus funds	5,091,586	6,772,014	7,183,372	3.5	6.1

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 fraternal benefit societies.

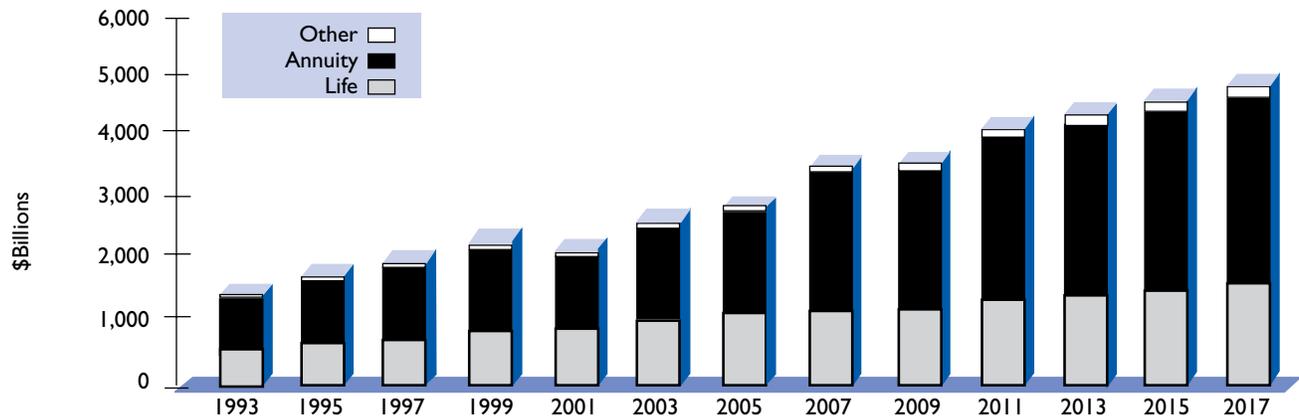
NC: Not calculated

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

²Prior to 2001, included supplementary contracts without life contingencies and policyholder dividend accumulations; beginning in 2001, also includes liabilities for GICs, and premium and other deposits.

³Includes insurance premiums paid in advance. The amount previously was 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.

Table 3.2

Policy Reserves of Life Insurers, by Line of Business

	General account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Life insurance					
Individual	\$850,193	\$1,087,813	\$1,131,132	2.9	4.0
Group	49,552	68,224	66,539	3.0	-2.5
Credit	1,343	567	510	-9.2	-10.2
Total	901,089	1,156,605	1,198,180	2.9	3.6
Annuities¹					
Individual	790,037	1,176,878	1,210,405	4.4	2.8
Group	286,569	374,116	384,974	3.0	2.9
Supplementary contracts with life contingencies	17,026	21,882	22,338	2.8	2.1
Total	1,093,632	1,572,876	1,617,717	4.0	2.9
Health insurance					
Individual	116,302	194,592	206,218	5.9	6.0
Group	46,163	63,396	64,657	3.4	2.0
Credit	1,770	931	895	-6.6	-3.9
Total	164,236	258,918	271,770	5.2	5.0
Aggregate total	2,158,956	2,988,398	3,087,667	3.6	3.3
	Separate account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Life insurance					
Individual	\$160,986	\$231,252	\$252,039	4.6	9.0
Group	86,181	112,463	112,472	2.7	0.0
Total	247,167	343,714	364,511	4.0	6.1
Annuities¹					
Individual	825,240	1,213,681	1,337,942	5.0	10.2
Group	556,577	678,955	743,782	2.9	9.5
Supplementary contracts with life contingencies	793	1,352	1,443	6.2	6.7
Total	1,382,609	1,893,988	2,083,166	4.2	10.0
Health insurance					
Individual	251	-	-	NC	NC
Group	1,662	5,571	6,732	15.0	20.8
Total	1,913	5,571	6,732	13.4	20.8
Aggregate total	1,631,689	2,243,273	2,454,409	4.2	9.4

Continued

Table 3.2

Policy Reserves of Life Insurers, by Line of Business—Continued

	Combined account (millions)			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Life insurance					
Individual	\$1,011,179	\$1,319,065	\$1,383,172	3.2	4.9
Group	135,733	180,687	179,010	2.8	-0.9
Credit	1,343	567	510	-9.2	-10.2
Total	1,148,256	1,500,319	1,562,691	3.1	4.2
Annuities¹					
Individual	1,615,276	2,390,559	2,548,346	4.7	6.6
Group	843,146	1,053,070	1,128,756	3.0	7.2
Supplementary contracts with life contingencies	17,819	23,234	23,781	2.9	2.4
Total	2,476,241	3,466,863	3,700,884	4.1	6.8
Health insurance					
Individual	116,553	194,592	206,218	5.9	6.0
Group	47,825	68,967	71,389	4.1	3.5
Credit	1,770	931	895	-6.6	-3.9
Total	166,148	264,489	278,501	5.3	5.3
Aggregate total	3,790,645	5,231,672	5,542,077	3.9	5.9

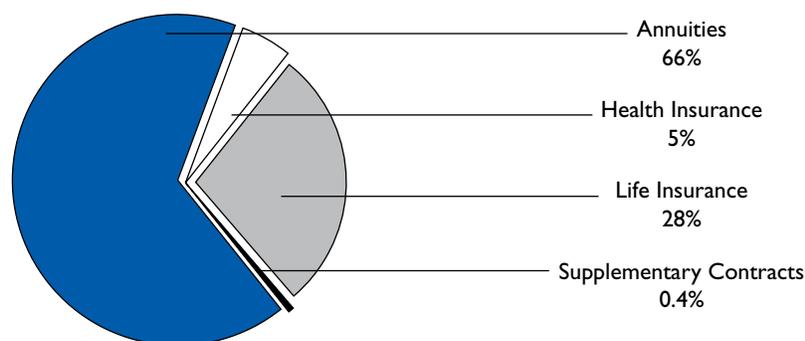
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. 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 fraternal benefit societies.

NC: Not calculated

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

Figure 3.2

Distribution of Life Insurers' Policy Reserves, 2017

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.

Table 3.3

Deposit-Type Contracts, 2017 (millions)			
	Deposits	Withdrawals	Reserves
General account			
Guaranteed interest contracts (GICs)	\$56,001	\$47,216	\$83,180
Annuities certain	5,742	6,354	41,986
Supplementary contracts without life contingencies	12,708	13,640	46,826
Dividend accumulations or refunds	839	1,812	15,836
Premium and other deposit funds	95,316	92,686	130,753
Total	170,606	161,708	318,582
Separate account			
Guaranteed interest contracts (GICs)	14,896	15,574	107,123
Annuities certain	317	284	864
Supplementary contracts without life contingencies	44	40	173
Dividend accumulations or refunds	0	57	5,070
Premium and other deposit funds	18,309	20,872	98,621
Total	33,566	36,827	211,852
Combined account			
Guaranteed interest contracts (GICs)	70,897	62,791	190,304
Annuities certain	6,058	6,637	42,850
Supplementary contracts without life contingencies	12,752	13,680	46,999
Dividend accumulations or refunds	839	1,869	20,906
Premium and other deposit funds	113,625	113,558	229,375
Total	204,171	198,535	530,434

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.

Table 3.4

Capital Ratios of Life Insurers (percent)			
	2007	2016	2017
Including AVR	10.3	10.6	10.6
Excluding AVR	8.9	9.4	9.3

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

Table 3.5

Levels of Risk-Based Capital Held by Life Insurers, 2007–2017

Risk-based capital ratio	Number of companies										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017
200 percent or more	892	830	812	803	794	776	780	768	747	733	723
175–199	23	31	29	20	19	22	17	15	14	17	10
150–174	11	17	20	26	23	15	12	7	12	10	13
125–149	13	19	15	13	11	17	7	3	4	3	4
100–124	55	8	10	10	9	6	5	8	6	3	5
Less than 100 percent	16	36	19	11	10	8	7	5	9	10	6
Total	960	941	905	883	866	844	828	806	792	776	761
Average risk-based capital ratio	406%	382%	418%	450%	457%	466%	481%	489%	486%	480%	470%

Risk-based capital ratio	Percentage of companies (percent)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017
200 percent or more	92.9	88.2	89.7	90.9	91.7	91.9	94.2	95.3	94.3	94.5	95.0
175–199	2.4	3.3	3.2	2.3	2.2	2.6	2.1	1.9	1.8	2.2	1.3
150–174	1.1	1.8	2.2	2.9	2.7	1.8	1.4	0.9	1.5	1.3	1.7
125–149	1.4	2.0	1.7	1.5	1.3	2.0	0.8	0.4	0.5	0.4	0.5
100–124	0.5	0.9	1.1	1.1	1.0	0.7	0.6	1.0	0.8	0.4	0.7
Less than 100 percent	1.7	3.8	2.1	1.2	1.2	0.9	0.8	0.6	1.1	1.3	0.8
Total	100.0	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)										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017
200 percent or more	99.4	97.0	98.7	99.0	98.9	99.2	99.5	99.8	99.3	99.7	99.3
175–199	0.2	2.2	0.2	0.2	0.3	0.3	0.1	0.1	0.0	0.2	0.6
150–174	0.0	0.5	0.5	0.6	0.7	0.2	0.3	0.0	0.5	0.0	0.0
125–149	0.4	0.1	0.5	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.1
100–124	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0
Less than 100 percent	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Total	100.0	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 fraternal benefit societies.

*Revised data

Table 3.6

Life Insurers 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	
2005‡	1,029,486	140,895	1,415,104	758,484	15,847	3,359,815	
2006‡	1,109,868	153,104	1,521,074	806,944	16,753	3,607,743	
2007‡	1,148,256	166,148	1,615,276	843,146	17,819	3,790,645	
2008‡	1,134,470	186,105	1,421,597	715,587	13,107	3,470,867	
2009‡	1,178,290	196,131	1,623,764	797,989	16,077	3,812,251	
2010‡	1,223,899	213,896	1,779,931	863,100	16,761	4,097,587	
2011‡	1,285,684	229,459	1,840,174	871,126	18,008	4,244,451	
2012‡	1,302,046	227,521	1,942,530	958,095	19,239	4,449,433	
2013‡	1,365,035	228,227	2,137,385	1,028,743	20,344	4,779,735	
2014‡	1,422,537	233,867	2,227,842	1,049,840	21,637	4,955,724	
2015‡	1,462,842	242,231	2,276,004	1,021,589	22,582	5,025,249	
2016‡	1,500,319	264,489	2,390,559	1,053,070	23,234	5,231,672	
2017‡	1,562,691	278,501	2,548,346	1,128,756	23,781	5,542,077	

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 annuities. 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
2005‡	923,429	104,463	1,594	1,029,486
2006‡	988,620	119,841	1,407	1,109,868
2007‡	1,011,179	135,733	1,343	1,148,256
2008‡	999,991	133,291	1,189	1,134,470
2009‡	1,043,493	133,828	969	1,178,290
2010‡	1,083,731	139,360	807	1,223,899
2011‡	1,141,356	143,661	667	1,285,684
2012‡	1,148,376	153,034	637	1,302,046
2013‡	1,197,727	166,687	620	1,365,035
2014‡	1,246,789	175,127	621	1,422,537
2015‡	1,292,526	169,683	634	1,462,842
2016‡	1,319,065	180,687	567	1,500,319
2017‡	1,383,172	179,010	510	1,562,691

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 reserves 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	155,266	31,309	37,882	14,567	172,695	2,826,520
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	201,087	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	287,629	37,880	35,125	17,764	249,643	4,252,386
2005‡	3,359,815	456,325	18,810	300,912	36,719	37,832	17,011	254,572	4,481,995
2006‡	3,607,743	487,490	19,494	345,648	39,361	43,389	13,827	265,872	4,822,824
2007‡	3,790,645	516,905	20,134	383,090	41,120	45,913	11,948	281,831	5,091,586
2008‡	3,470,867	453,860	18,582	368,303	42,493	21,243	9,521	263,278	4,648,147
2009‡	3,812,251	416,478	17,591	337,219	42,358	20,667	10,908	301,221	4,958,693
2010‡	4,097,587	420,494	17,356	367,469	42,106	31,340	16,133	318,720	5,311,204
2011‡	4,244,451	413,044	17,328	392,148	43,607	39,725	21,230	321,126	5,492,658
2012‡	4,449,433	430,531	17,150	424,835	43,281	45,411	26,339	340,442	5,777,420
2013‡	4,779,735	450,448	17,603	436,347	43,425	48,365	26,509	347,868	6,150,300
2014‡	4,955,724	468,150	18,153	472,516	43,463	52,862	26,938	368,155	6,405,961
2015‡	5,025,249	470,429	18,494	463,235	44,121	49,489	23,935	382,867	6,477,819
2016‡	5,231,672	495,471	17,942	507,710	45,795	51,514	23,702	398,209	6,772,014
2017‡	5,542,077	530,434	17,727	549,041	48,489	57,393	25,280	412,931	7,183,372

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 annuities and deposit-type funds, 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
1970	9.7	8.6	2002	9.3	8.4
1975	8.1	7.4	2003‡	9.6	8.5
1980	9.2	7.7	2004‡	9.8	8.6
1985	9.1	7.7	2005‡	9.7	8.5
1990	8.5	7.3	2006‡	10.0	8.6
1991	9.3	7.9	2007‡	10.3	8.9
1992	9.6	8.1	2008‡	8.7	8.1
1993	10.0	8.4	2009‡	9.7	9.1
1994	10.2	8.6	2010‡	10.1	9.2
1995	10.7	9.0	2011‡	9.9	8.8
1996	11.9	10.0	2012‡	10.4	9.2
1997	10.6	8.7	2013‡	10.4	9.2
1998	11.0	9.0	2014‡	10.6	9.3
1999	11.1	9.1	2015‡	10.7	9.5
2000	11.1	9.2	2016‡	10.6	9.4
2001	10.1	8.7	2017‡	10.6	9.3

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. 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.

4 INCOME

The gross income of life insurance companies comes from two main sources: premiums paid by policyholders and earnings on investments. In 2017, total income of all U.S. life insurers decreased 1.3 percent to \$973 billion (Table 4.1). Insurance premiums and annuity considerations contributed 62 percent of total income. Investment earnings contributed 29 percent. The remainder of gross income came from amortization of interest maintenance reserve, commissions and expense allowance on reinsurance ceded, and miscellaneous income.

Under statutory accounting rules, net gain from (insurance) operations is calculated prior to net income. Net gain from operations equals gross income minus operating expenditures, policyholder dividends, and federal income taxes. Capital gains, net of tax, are then added to net gain from operations to calculate (after tax) net income.

PREMIUM INCOME

Premium receipts - derived from sales of life insurance, health insurance, and annuities - decreased 0.5 percent to \$607 billion in 2017 (Table 4.2).

The mix of premiums from life insurance and annuity considerations has changed markedly over time. Prior to 1986, premium receipts from life policies were greater than annuity considerations, but starting in 1986, annuity premiums have exceeded life insurance premiums (Table 4.10). By 2017, life policies accounted for nearly a quarter of premium receipts (23%), while annuity considerations contributed almost a half (49%) (Figure 4.1).

Premiums for life insurance policies totaled \$142 billion in 2017, an 18.8 percent increase from the previous year (Table 4.2). Individual policy premiums accounted for the largest share at \$112 billion, or 79 percent. Most were renewals, representing \$76 billion, or 67 percent, of individual premiums (Table 4.3). Group insurance was the second-largest contributor to life insurance premiums at \$29 billion, or 21 percent of the total (Table 4.2). Again, renewals constituted the largest portion at \$24 billion, or 82 percent, of all group premiums (Table 4.3). Credit life provided \$597 million of all life insurance premiums (Table 4.2). Americans spent 1.03 percent of total disposable (after-tax) personal income on individual life insurance in 2017 (Table 4.5).

Annuity considerations decreased 9.8 percent in 2017 to \$295 billion (Table 4.2). Individual annuities provided \$165 billion in premium receipts, decreasing 18.5 percent from 2016. Of individual annuity considerations, first-year annuity considerations constitute the largest share of this category at \$79 billion, while group considerations counted renewals as the largest contributor with \$88 billion (Table 4.4). Individual annuity considerations amounted to 1.32 percent of disposable personal income in 2017 (Table 4.5).

Premiums for accident and health insurance increased 4 percent to \$170 billion in 2017 (Table 4.1) with group premiums being the largest portion at \$111 billion, up 6.9 percent from 2016 (Table 4.2). Individual accident and health premiums decreased to \$58 billion, with the largest share at \$37 billion coming from guaranteed renewable contracts (Table 4.6).

INVESTMENT INCOME AND RATE OF RETURN

Net investment income of life insurance companies amounted to \$267 billion in 2017 (Table 4.7). The largest source of investment income was from bonds at \$147 billion, followed by common stock (\$71 billion) and mortgage loans (\$23 billion). Gross investment income increased 0.6 percent from 2016. Investment expenses, taxes, and deductions totaled \$14 billion, increasing 8.1 percent from the previous year.

As a way of tracking investment performance, life insurers routinely calculate their net rate of return on invested assets. The net rate of return on invested assets is determined by dividing net investment income by the two-year average of the net invested assets. The gross rate of return on total fixed income assets is calculated by dividing the gross investment income on bonds by the average net investment in bonds.

In 2017, life insurers' net rate of return on total assets was 4.28 percent, down from 4.50 a year earlier (Table 4.8). This net rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses, but before federal income taxes. Excluding separate accounts, the portfolio net rate of return on general account assets was 4.80 percent in 2017, down slightly from 4.86 percent in 2016.

The gross rate of return on fixed-income assets measures the return on bonds, preferred stocks, and mortgages. It does not account for depreciation or investment expenses and excludes equity investments (other than preferred stocks), avoiding the uneven treatment of gains in the numerator and denominator of net rate data.

Gross rate data apply to fixed-income assets of both general and separate accounts. The industry's gross rate on total fixed-income assets was 4.43 percent in 2017, down from 4.56 percent in 2016.

NET GAIN FROM OPERATIONS

Statutory accounting calculates net gain from (insurance) operations as gross income minus operating expenses, policyholder dividends, and federal income taxes (not including tax on capital gains, since capital gains are not included in gain from operations). Net gain from operations after federal income taxes decreased 5.3 percent in 2017 to \$58 billion (Table 4.9). Net gains can be calculated separately for each major line of business. Net gains from annuities increased 1.1 percent to \$32 billion in 2017. The net gain from life insurance decreased 36.2 percent to \$7 billion.

Table 4.1

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Income of Life Insurers					
Net premiums and considerations					
Life insurance premiums	\$142,661	\$119,334	\$141,794	-0.1	18.8
Annuity considerations ¹	314,225	326,795	294,861	-0.6	-9.8
Health insurance premiums	151,462	164,002	170,498	1.2	4.0
Total	608,348	610,131	607,152	0.0	-0.5
Investment income	267,394	279,101	280,764	0.5	0.6
Other income²	74,624	96,614	85,522	1.4	-11.5
Aggregate total	950,366	985,845	973,438	0.2	-1.3

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. 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 fraternal benefit societies.

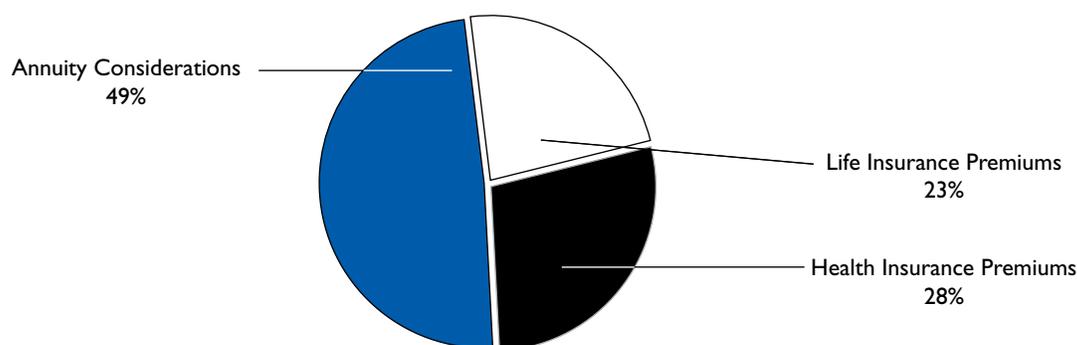
¹Beginning in 2001, excludes certain deposit-type funds from income due to codification. Also excludes resources for supplementary contracts without life contingencies and annuities certain, lottery payments, structured settlements, and income payment options.

²Includes commissions and expense allowance on reinsurance ceded. Also, includes amortization of interest maintenance reserve.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance businesses.

Figure 4.1

Distribution of Life Insurers' Net Premium Receipts, 2017



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.

Table 4.2

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Premium Receipts of Life Insurers					
Net Business					
Life insurance premiums					
Individual	\$103,479	\$90,107	\$112,075	0.8	24.4
Group	38,050	28,614	29,122	-2.6	1.8
Credit	1,132	613	597	-6.2	-2.6
Total	142,661	119,334	141,794	-0.1	18.8
Annuity considerations¹					
Individual	192,503	202,312	164,790	-1.5	-18.5
Group	121,722	124,484	130,070	0.7	4.5
Total	314,225	326,795	294,861	-0.6	-9.8

Continued

Table 4.2

Premium Receipts of Life Insurers—Continued

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Health insurance premiums					
Individual	61,483	59,092	58,429	-0.5	-1.1
Group	88,945	104,261	111,413	2.3	6.9
Credit	1,034	649	655	-4.5	1.0
Total	151,462	164,002	170,498	1.2	4.0
Aggregate total	608,348	610,131	607,152	0.0	-0.5
Direct Business					
Life insurance premiums					
Individual	\$146,296	\$144,176	\$148,067	0.1	2.7
Group	39,491	36,428	39,848	0.1	9.4
Credit	1,626	829	799	-6.9	-3.6
Total	187,413	181,433	188,714	0.1	4.0
Annuity considerations¹					
Individual	209,731	205,601	189,509	-1.0	-7.8
Group	121,971	129,332	134,348	1.0	3.9
Total	331,702	334,933	323,857	-0.2	-3.3
Health insurance premiums					
Individual	65,831	64,261	64,349	-0.2	0.1
Group	88,249	115,380	126,314	3.7	9.5
Credit	1,400	822	831	-5.1	1.1
Total	155,480	180,463	191,494	2.1	6.1
Aggregate total	674,595	696,829	704,064	0.4	1.0

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. 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 fraternal benefit societies. Differences between net and direct premiums are caused by reinsurance activities, as reported in Chapter 6.

¹Beginning in 2001, excludes certain deposit-type funds from income due to codification. Also excludes resources for supplementary contracts without life contingencies and annuities certain, lottery payments, structured settlements, and income payment options.

Table 4.3

Individual and Group Life Insurance Net Premium Receipts, 2017 (millions)

	Individual	Percent distribution	Group	Percent distribution	Total	Percent distribution
First-year	\$16,984	15.2	\$2,437	8.4	\$19,421	13.8
Single¹	19,584	17.5	2,751	9.4	22,335	15.8
Renewal	75,507	67.4	23,934	82.2	99,441	70.4
Aggregate total	112,075	100.0	29,122	100.0	141,197	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. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts. Data represent U.S. life insurers and fraternal benefit societies.

¹Includes dividend additions, excess premiums beyond planned periodic premiums, and single-premium riders.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 4.4

Individual and Group Annuity Considerations, 2017 (millions)						
	Individual¹	Percent distribution	Group¹	Percent distribution	Total	Percent distribution
First-year	\$79,375	48.2	\$15,127	11.6	\$94,502	32.0
Single²	67,178	40.8	26,644	20.5	93,822	31.8
Renewal	18,237	11.1	88,299	67.9	106,536	36.1
Total	164,790	100.0	130,070	100.0	294,861	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. Codification effective in 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 fraternal benefit societies.

¹Beginning in 2001, excludes certain deposit-type funds from income due to codification, and includes supplementary contracts with life contingencies. Also excludes reserves for supplementary contracts without life contingencies and annuities certain, lottery payouts, structured settlements, and income payout options.

²Includes supplementary contracts with life contingencies for individual annuity considerations.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 4.5

	Percent		
	2007	2016	2017
Individual			
Life premiums	1.02	1.03	1.03
Annuity considerations ¹	1.89	1.47	1.32
Total	2.91	2.50	2.35

Sources: U.S. Department of Commerce; 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 fraternal benefit societies. U.S. Department of Commerce data from past years may be revised.

¹Beginning in 2001, excludes certain deposit-type funds from income due to codification, and includes supplementary contracts with life contingencies. Also excludes reserves for supplementary contracts without life contingencies and annuities certain, lottery payouts, structured settlements, and income payout options.

Beginning with 2017 edition of Fact Book, data used in this table represent direct business. Prior editions of Fact Book used net business.

Table 4.6

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Group	\$88,945	\$104,261	\$111,413	2.3	6.9
Credit	1,034	649	655	-4.5	1.0
Individual					
Collectively renewable	85	13	12	-17.5	-7.0
Noncancelable	5,922	4,109	4,137	-3.5	0.7
Guaranteed renewable	31,275	37,289	36,637	1.6	-1.7
Nonrenewable	3,333	1,713	1,130	-10.3	-34.1
Other accident	7,294	5,730	5,750	-2.4	0.3
All other	13,575	10,237	10,763	-2.3	5.1
Total	61,483	59,092	58,429	-0.5	-1.1
Aggregate total	151,462	164,002	170,498	1.2	4.0

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. Premium receipts are net of reinsurance. Data represent U.S. life insurers and fraternal benefit societies.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 4.7

Net Investment Income					
	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Gross investment income					
Bonds	\$142,436	\$144,323	\$146,532	0.3	1.5
Preferred stock	4,244	628	632	-17.3	0.7
Common stock	67,898	78,318	70,694	0.4	-9.7
Mortgage loans	21,437	22,067	22,997	0.7	4.2
Real estate	4,702	5,126	5,001	0.6	-2.4
Contract loans	7,515	8,029	8,093	0.7	0.8
Cash/Short-term investments	6,421	1,094	1,729	-12.3	58.0
Other invested assets	11,733	15,105	17,259	3.9	14.3
Derivative instruments	463	3,730	7,662	32.4	105.4
Other write-ins	545	681	166	-11.2	-75.7
Total	267,394	279,101	280,764	0.5	0.6
Expenses, taxes, and deductions	16,008	13,183	14,246	-1.2	8.1
Net investment income	251,387	265,918	266,518	0.6	0.2

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. Data represent U.S. life insurers and fraternal benefit societies.
 NC: Not calculated

Table 4.8

Rates of Return on Invested Assets of Life Insurers			
	Percent		
	2007	2016	2017
Net rate			
Total assets	5.71	4.50	4.28
General account only	6.01	4.86	4.80
Gross rate			
Total fixed-income assets	6.10	4.56	4.43

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.

Table 4.9

Net Gain From Operations After Federal Income Taxes

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Life insurance					
Individual	\$6,813	\$9,493	\$4,880	-3.3	-48.6
Group	2,022	1,416	2,072	0.2	46.4
Credit	198	34	31	-16.9	-10.1
Total	9,033	10,943	6,984	-2.5	-36.2
Annuities¹					
Individual	7,606	24,116	25,321	12.8	5.0
Group	4,831	8,004	7,145	4.0	-10.7
Total	12,436	32,119	32,466	10.1	1.1
Accident and health					
Individual	3,500	3,245	-27	NC	NC
Group	6,562	6,436	6,821	0.4	6.0
Credit	190	96	82	-8.0	-14.2
Total	10,252	9,776	6,876	-3.9	-29.7
Other²	6,808	8,860	12,090	5.9	36.5
Aggregate total	38,530	61,698	58,416	4.2	-5.3

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. Net gain is calculated after dividends to policyholders and federal income taxes are deducted and before realized capital gains or (losses) are added. 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 fraternal benefit societies.

¹Beginning in 2001, excludes certain deposit-type funds from income due to codification, and includes supplementary contracts with life contingencies. Also excludes reserves for supplementary contracts without life contingencies and annuities certain, lottery payouts, structured settlements, and income payout options.

²Includes lines of business other than life (e.g. workers compensation, aviation insurance, etc.).

NC: Not calculated

Table 4.10

Income of Life Insurers, by Year (millions)

Year	Net premium receipts			Total premium receipts	Investment income ¹	Other income ²	Total income
	Life insurance premiums	Annuity considerations	Health insurance premiums				
1911	\$626	\$4	—	\$630	\$182	\$24	\$836
1915	776	6	—	782	241	20	1,043
1920	1,374	7	—	1,381	341	42	1,764
1925	2,340	38	—	2,378	551	89	3,018
1930	3,416	101	—	3,517	891	186	4,594
1935	3,182	491	—	3,673	1,013	386	5,072
1940	3,501	386	—	3,887	1,231	540	5,658
1945	4,589	570	—	5,159	1,445	1,070	7,674
1950	6,249	939	\$1,001	8,189	2,075	1,073	11,337
1955	8,903	1,288	2,355	12,546	2,801	1,197	16,544
1960	11,998	1,341	4,026	17,365	4,304	1,338	23,007
1965	16,083	2,260	6,261	24,604	6,778	1,785	33,167
1970	21,679	3,721	11,367	36,767	10,144	2,143	49,054
1975	29,336	10,165	19,074	58,575	16,488	2,959	78,022
1980	40,829	22,429	29,366	92,624	33,928	4,336	130,888
1985	60,127	53,899	41,837	155,863	67,952	10,212	234,027
1986	66,213	83,712*	44,153	194,078	75,435	12,744	282,257
1987	76,737	88,677	47,549	212,963	82,875	18,460	314,298
1988	73,531	103,278	52,306	229,115	92,042	16,983	338,140
1989	73,290	114,997	56,079	244,366	103,965	18,987	367,318
1990	76,692	129,064	58,254	264,010	111,853	26,337	402,200
1991	79,301	123,590	60,900	263,791	118,984	28,247	411,022
1992	83,868	132,645	65,545	282,058	121,389	23,469	426,916
1993	94,448	156,445	68,658	319,551	124,205	22,594	466,350
1994	98,948	153,019	86,184	338,151	125,999	28,478	492,628
1995	102,766	158,389	90,038	351,193	143,967	32,894	528,054
1996	107,598	178,416	92,183	378,197	152,700	30,190	561,087
1997	115,039	197,529	92,737	405,305	170,713	34,628	610,646
1998	119,897	229,493	94,881	444,271	176,801	42,311	663,383
1999	120,274	270,212	100,049	490,535	186,563	49,830	726,928
2000	130,616	306,693	105,619	542,928	220,862	47,679	811,469
2001	125,314	251,255^	103,413	479,982	203,399	41,068	724,448
2002	134,483	269,296^	108,703	512,482	180,855	40,676	734,013
2003‡	127,320	268,558^	115,827	511,705	179,744	35,558	727,007
2004‡	139,691	276,677^	125,752	542,120	186,827	27,863	756,810
2005‡	142,261	277,117^	118,267	537,645	206,859	34,521	779,024
2006‡	149,223	302,727^	141,198	593,149	239,669	50,779	883,597
2007‡	142,661	314,225^	151,462	608,348	267,394	74,624	950,366
2008‡	147,182	328,135^	165,034	640,350	260,123	40,166	940,638
2009‡	124,564	231,580^	166,164	522,308	211,650	47,468	781,426
2010‡	104,648	293,622^	172,717	570,987	212,841	78,741	862,570
2011‡	127,455	334,895^	171,647	633,997	221,007	60,332	915,336
2012‡	135,392	348,095^	172,300	655,788	228,084	68,483	952,355
2013‡	130,582	287,669^	175,084	593,335	237,995	75,397	906,727
2014‡	138,308	361,586^	158,391	658,285	267,486	73,579	999,351
2015‡	155,866	333,016^	159,855	648,737	289,894	126,080	1,064,712
2016‡	119,334	326,795^	164,002	610,131	279,101	96,614	985,845
2017‡	141,794	294,861^	170,498	607,152	280,764	85,522	973,438

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 footnotes. Prior to 1947, the business of health insurance departments of life insurers was not included in this series. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

*Unusually large increase due to NAIC-mandated change in reporting method for group annuity considerations.

^Excludes certain deposit-type funds from income due to codification.

‡Includes fraternal benefit societies.

¹Beginning in 2000 represents gross investment income. Prior to 2000, figures are net of investment expenses.

²Beginning in 1975, includes commissions and expense allowance on reinsurance ceded. Beginning in 1992, includes amortization of the interest maintenance reserve.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 4.11

Individual Life Insurance Premium Receipts, by Year (millions)				
Year	First-year	Single¹	Renewal	Total
1970	\$1,869	\$1,114	\$14,033	\$17,016
1975	2,705	1,505	18,125	22,335
1980	4,520	2,448	23,818	30,786
1981	5,927	2,486	27,283	35,696
1982	5,948	3,232	30,675	39,855
1983	6,910	4,221	27,913	39,044
1984	8,794	4,735	26,204	39,733
1985	10,858	6,941	29,202	47,001
1986	11,524	9,901	30,980	52,405
1987	12,484	15,610	34,584	62,678
1988	10,670	11,893	36,150	58,713
1989	10,658	8,800	38,716	58,174
1990	11,249	8,261	41,055	60,565
1991	11,398	8,445	43,521	63,364
1992	11,141	9,389	45,739	66,269
1993	13,314	11,447	50,570	75,331
1994	14,081	8,820	53,153	76,054
1995	12,081	9,945	56,453	78,479
1996	12,041	10,799	60,001	82,841
1997	14,592	11,999	60,846	87,437
1998	17,353	15,802	60,396	93,550
1999	16,784	13,540	63,029	93,354
2000	17,881	16,565	68,047	102,493
2001	17,849	19,145	58,432	95,426
2002	15,934	21,768	68,454	106,156
2003‡	14,650	20,463	62,795	97,907
2004‡	16,098	23,550	71,207	110,855
2005‡	16,680	25,363	69,873	111,915
2006‡	14,578	29,774	69,612	113,964
2007‡	14,145	40,291	49,044	103,479
2008‡	14,460	34,068	68,871	117,399
2009‡	12,395	17,930	68,253	98,579
2010‡	10,723	20,749	48,148	79,621
2011‡	18,150	19,740	62,874	100,763
2012‡	21,272	20,084	64,995	106,352
2013‡	17,796	13,244	72,171	103,210
2014‡	17,373	19,708	72,589	109,670
2015‡	16,359	19,815	88,327	124,501
2016‡	17,390	19,597	53,120	90,10
2017‡	16,984	19,584	75,507	112,075

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. 1969-72 data include credit life insurance premiums. Beginning with 1973, credit life premiums on loans of 10 years' or less in duration are excluded. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

¹Includes dividend additions, excess premiums beyond planned periodic premiums, and single-premium riders.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 4.12

Individual Annuity Considerations, by Year (millions)

Year	First-year	Single	Renewal	Deposit-type funds ¹	Total
1970	\$183	\$230	\$547	—	\$960
1975	728	808	1,128	—	2,664
1980	839	3,033	2,424	NA	6,296
1981	1,240	6,100	2,950	NA	10,290
1982	2,863	8,769	3,564	NA	15,196
1983	2,211	7,842	3,950	NA	14,003
1984	2,385	8,673	4,648	NA	15,706
1985	3,390	11,095	6,406	NA	20,891
1986	4,683	13,281	8,153	NA	26,117
1987	6,238	18,578	8,948	NA	33,764
1988	7,875	28,053	7,856	NA	43,784
1989	5,597	20,970	6,437	\$16,403	49,407
1990	6,080	22,777	6,992	17,817	53,665
1991	5,854	21,930	6,732	17,154	51,670
1992	6,775	21,964	7,378	25,232	61,348
1993	8,793	23,393	6,513	38,288	76,987
1994	8,263	22,901	6,448	43,221	80,832
1995	7,913	22,898	8,725	37,834	77,370
1996	9,727	19,802	6,461	48,077	84,067
1997	10,806	22,441	6,781	50,145	90,174
1998	11,092	17,129	7,179	60,047	95,446
1999	14,599	19,470	6,784	74,767	115,621
2000	15,050	27,022	7,480	90,099	139,651
2001*	51,576	63,078	27,002	NA	141,656
2002*	64,731	75,412	28,291	NA	168,434
2003*‡	61,439	75,410	24,855	NA	161,704
2004*‡	60,568	86,383	25,188	NA	172,140
2005*‡	66,771	78,354	21,907	NA	167,032
2006*‡	81,923	77,193	27,967	NA	187,083
2007*‡	92,395	71,268	28,841	NA	192,503
2008*‡	89,758	94,111	25,097	NA	208,965
2009*‡	93,919	19,331	15,603	NA	128,853
2010*‡	100,286	61,164	28,496	NA	189,946
2011*‡	120,303	60,168	37,366	NA	217,837
2012*‡	107,865	53,941	27,452	NA	189,258
2013*‡	110,625	61,068	7,885	NA	179,578
2014*‡	106,198	109,161	32,067	NA	247,426
2015*‡	99,914	69,903	39,096	NA	208,913
2016*‡	84,440	74,089	43,783	NA	202,312
2017*‡	79,375	67,178	18,237	NA	164,790

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

NA: Not available

*Certain deposit-type funds are excluded from income under codification, making data after 2000 incomparable.

‡Includes fraternal benefit societies.

¹First included in annual statements for 1978 and divided into first-year, single, and renewal annuity considerations through 1988.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 4.13

Rates of Return on Invested Assets of Life Insurers, by Year (percent)

Year	Net rate		Gross rate
	Total assets	General account only	Total fixed-income assets
1920	4.83	NA	NA
1925	5.11	NA	NA
1930	5.05	NA	NA
1935	3.70	NA	NA
1940	3.45	NA	NA
1945	3.11	NA	NA
1950	3.13	NA	NA
1955	3.51	NA	NA
1960	4.11	NA	NA
1965	4.61	4.61	NA
1970	5.30	5.34	5.85
1975	6.36	6.44	7.37
1980	8.02	8.06	9.26
1981	8.57	8.53	9.87
1982	8.91	8.87	10.35
1983	8.96	9.08	10.63
1984	9.45	9.65	11.35
1985	9.63	9.87	12.23
1986	9.35	9.64	11.14
1987	9.10	9.39	10.62
1988	9.03	9.41	10.51
1989	9.10	9.47	10.58
1990	8.89	9.31	10.34
1991	8.63	9.09	10.05
1992	8.08	8.58	9.44
1993	7.52	8.04	8.71
1994	7.14	7.63	8.22
1995	7.41	7.90	8.43
1996	7.25	7.75	8.17
1997	7.35	7.86	8.08
1998	6.95	7.58	8.00
1999	6.71	7.49	7.93
2000	7.05	7.40	7.91
2001	6.31	7.13	7.62
2002	5.38	6.64	7.13
2003‡	5.03	6.17	6.44
2004‡	4.80	5.93	6.03
2005‡	4.90	5.88	5.96
2006‡	5.35	5.95	5.99
2007‡	5.71	6.01	6.10
2008‡	5.70	5.63	6.01
2009‡	4.60	5.25	5.91
2010‡	4.33	5.37	5.68
2011‡	4.35	5.29	5.73
2012‡	4.25	5.07	5.30
2013‡	4.20	5.09	4.91
2014‡	4.61	5.19	4.80
2015‡	4.81	4.91	4.64
2016‡	4.50	4.86	4.56
2017‡	4.28	4.80	4.43

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 1940, some federal income taxes were deducted from net investment income; beginning with 1940, rates are calculated before deducting any federal income taxes. Beginning in 1994, rates include amortization of the interest maintenance reserve. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡ Includes fraternal benefit societies.

NA: Not available

5 EXPENDITURES

Life insurance company expenditures include benefit payments and other contract payments, operating expenses, taxes, additions to reserves, and investment expenses. Contract payments accounted for 71 percent of expenditures at \$626 billion in 2017 (Table 5.1, Figure 5.1). Additions to reserves were \$90 billion for the second-largest category at 10 percent.

Operating expenses comprised 14 percent of 2017 total expenditures, taxes claimed 2 percent, and investment expenses also claimed 2 percent. Each expenditure category is detailed in this chapter, with the exception of reserves, which are discussed in Chapter 3.

CONTRACT PAYMENTS From Life Insurance Policies

Several factors affect the pattern of life insurance benefit payments. Primary among them are changes in the death rate of policyholders and the growth in group life insurance and other term insurance policies that do not incorporate a cash value.

These payments have increased steadily for many years, reflecting greater use of life insurance not only to provide funds for the family whose breadwinner dies, but also for family financial needs during the policyholder's lifetime.

Nationally, increasing life insurance ownership has been the main reason for the almost uninterrupted rise in life insurance death payments over the years, despite a general decline in death rates among policyholders.

To Beneficiaries

During 2017, life insurers paid \$77 billion to beneficiaries of policyholders who died; a 1.3 percent increase from 2016 (Table 5.2). Of this total, individual life insurance policies accounted for the largest share at \$55 billion, or 71 percent. Group life insurance payments to beneficiaries ranked second at \$22 billion, or 28 percent of total death payments. Benefits paid under short-term individual and group credit life insurance policies (on loans of 10 years' or less duration) totaled \$286 million in 2017.

To Policyholders

Although the basic purpose of life insurance is to protect against the economic risks of death, it can also generate value for the individual policyholder. Cash surrender values paid on life insurance policies terminated voluntarily during 2017 increased by 9.9 percent to \$33 billion from a year earlier (Table 5.2).

Policyholder dividends represent the return of part of the payments that policyholders made on policies sold on a participating basis, and reflect the portion not needed by the company after payment of claims, additions to reserves, and administrative expenses. Dividends accounted for \$15 billion, or 12 percent of payments from life insurance policies in 2017.

Endowment insurance guarantees that the policy's face amount will be paid by the insurance company regardless of whether the insured dies during the policy's term, as long as premiums are paid as required. These policies specify a maturity date. Matured endowment payments totaled \$464 million in 2017.

Other payments, including disability payments and retained assets under life insurance policies, totaled \$596 million in 2017.

From Annuity Contracts

Annuity benefit payments increased by 3.2 percent to \$82 billion in 2017 (Table 5.3). Beginning in 2001, payments and withdrawals from deposit-type contracts are no longer reported as expenditures but directly as a deduction from reserves.

Sixty-one percent of the annuity benefit payments, or \$50 billion, was paid to individual annuity owners, while \$29 billion, or 36 percent, was paid to group annuity owners. The remainder was paid under supplementary contracts with life contingencies—an agreement between an insurer and a life insurance policyholder or beneficiary in which the beneficiary chooses to receive the policy's proceeds over a lifetime rather than in a lump sum.

Life insurers paid \$279 billion on voluntarily terminated annuities in 2017, \$3.2 billion in dividends to annuity owners, and small amounts of death benefits, disability benefits, and matured endowments.

From Health Insurance Policies

Health insurance has become a notable aspect of U.S. life insurers' services. Life insurance companies paid \$127 billion in health insurance benefits to Americans in 2017—\$86 billion under group contracts and \$41 billion under individual policies (Table 5.4). Life insurers' total health insurance benefit payments to Americans increased 5.7 percent from 2016.

These statistics do not include disability payments under life insurance policies, health insurance and accidental death and dismemberment payments by casualty and other health insurance companies, or administrative-service-only arrangements.

OPERATING EXPENSES

Operating expenses of life insurance companies include commissions to agents and home- and field-office expenses. In 2017, agent commissions comprised 7 percent of expenditures at \$59 billion (Table 5.1). Home- and field-office expenses were \$68 billion, or 8 percent of total expenditures.

Of total office expenses, \$41 billion, or 61 percent, was in salaries and payments to employee and agent benefit plans (Table 5.5). In 2017, life insurers also spent \$8 billion on office equipment and supplies, \$3 billion on office rent, \$3 billion on fees associated with policy issuance and claim settlement, \$2 billion on advertising, and \$1 billion on travel.

TAXES

Life insurance companies incurred \$20 billion in taxes to federal, state, and local governments in 2017, 27.9 percent less than in 2016 (Table 5.6). Fifty-four percent of these taxes were income taxes at \$11 billion. Significant year-to-year variation in federal income taxes is largely due to changes in capital gain/loss obligations.

Another large tax obligation of life insurers' is payment of taxes on premiums that companies collect in each state. In 2017, U.S. life insurers incurred \$5 billion in state taxes on premiums collected from life, health, and annuity business.

As employers of over one-third of a million home-office personnel, U.S. life insurers also incurred \$2 billion in Social Security taxes in 2017. This figure does not include Social Security taxes paid by employees or self-employed agents.

Miscellaneous taxes, licenses, and fees accounted for \$2 billion in 2017. These taxes do not include amounts associated with investment management.

INVESTMENT EXPENSES

Expenses, fees, and taxes associated with investment management totaled \$14 billion in 2017 (Table 5.7).

Salaries and welfare expenses is the largest category at \$3 billion followed by interest expenses at \$2 billion.

Table 5.1

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Expenditures of Life Insurers					
Contract payments					
Life insurance	\$121,795	\$122,080	\$125,843	0.3	3.1
Annuities ¹	339,213	320,918	364,240	0.7	13.5
Health insurance	106,106	119,846	126,702	1.8	5.7
Other payments ²	14,603	10,256	9,198	-4.5	-10.3
Total	581,717	573,100	625,982	0.7	9.2
Additions to policy reserve funds³	159,699	155,882	89,594	-5.6	-42.5
Operating expenses					
Commissions to agents	51,496	65,306	58,728	1.3	-10.1
Home- and field-office expenses	53,934	64,042	67,556	2.3	5.5
Total	105,431	129,348	126,284	1.8	-2.4
Taxes⁴	21,154	27,039	19,503	-0.8	-27.9
Investment expenses⁵	16,008	13,183	14,246	-1.2	8.1
Aggregate total	884,009	898,551	875,609	-0.1	-2.6

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. 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 fraternal benefit societies.

¹Beginning in 2001, excludes payments under deposit-type contracts (such payments are shown in Table 3.3). Does not include payments from supplementary contracts without life contingencies and annuities certain, lottery payouts, structured settlements, and income payout options.

²Includes group conversions and interest on policy or contract funds. Prior to 2001, also includes payments on dividend accumulations and supplementary contracts without life contingencies.

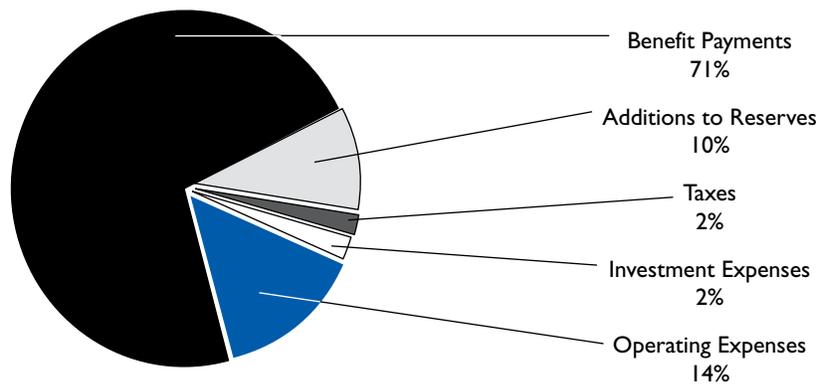
³Beginning in 2001, excludes addition to reserves for deposit-type contracts.

⁴Includes foreign and U.S. federal income taxes, including taxes on capital gains; excludes investment taxes. Data for 1997 do not include foreign income taxes.

⁵Includes investment-related taxes and fees.

Figure 5.1

Distribution of Life Insurers' Expenditures, 2017



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.

Table 5.2

Payments From Life Insurance Policies

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Payments to beneficiaries					
Individual	\$36,272	\$54,214	\$54,960	4.2	1.4
Group	21,168	21,527	21,811	0.3	1.3
Credit	516	298	286	-5.7	-4.0
Total	57,957	76,039	77,057	2.9	1.3
Surrender values					
Individual	46,574	28,664	30,295	-4.2	5.7
Group	1,096	1,536	2,880	10.1	87.6
Total	47,670	30,199	33,175	-3.6	9.9
Policyholder dividends	15,024	14,693	14,551	-0.3	-1.0
Matured endowments	588	448	464	-2.3	3.6
Other payments¹	557	701	596	0.7	-14.9
Aggregate total	121,795	122,080	125,843	0.3	3.1

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.

¹Includes disability benefits and retained assets.

Table 5.3

Payments From Annuity Contracts

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Annuity benefits¹					
Individual ¹	\$40,675	\$48,490	\$50,165	2.1	3.5
Group ¹	29,435	28,287	29,106	-0.1	2.9
Supplementary contracts with life contingencies	2,223	2,342	2,378	0.7	1.5
Total	72,332	79,120	81,649	1.2	3.2
Surrenders values²					
Individual	154,719	134,761	155,260	0.0	15.2
Group	107,624	103,275	124,144	1.4	20.2
Total	262,343	238,036	279,404	0.6	17.4
Policyholder dividends	4,495	3,754	3,174	-3.4	-15.4
Other payments³	43	8	11	-12.3	47.4
Aggregate total	339,213	320,918	364,240	0.7	13.5

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 fraternal benefit societies.

¹Beginning in 2001, excludes payments under deposit-type contracts (such payments are shown in Table 3.3). Does not include payments from annuities certain and supplementary contracts without life contingencies, lottery payouts, structured settlements, and income payout options.

²Beginning in 2001, excludes surrender benefits and fund withdrawals from deposit-type contracts.

³Includes death benefits, disability benefits, and retained assets.

Table 5.4

Payments From Health Insurance Policies

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Group	\$66,641	\$78,602	\$85,919	2.6	9.3
Individual	38,982	40,984	40,527	0.4	-1.1
Credit	483	260	256	-6.1	-1.6
Total	106,106	119,846	126,702	1.8	5.7

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.

Table 5.5

Life Insurer Home- and Field-Office Expenses					
	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Rental	\$2,879	\$2,565	\$2,596	-1.0	1.2
Employment					
Salaries	27,533	32,564	34,353	2.2	5.5
Welfare contributions and payments	5,777	7,190	7,090	2.1	-1.4
Total	33,310	39,754	41,443	2.2	4.2
Fees associated with policy issuance/claim settlement	3,177	3,035	3,308	0.4	9.0
Travel	1,337	1,260	1,228	-0.8	-2.5
Advertising	2,796	2,227	2,351	-1.7	5.6
Office equipment/supplies	7,578	7,508	8,000	0.5	6.6
Miscellaneous	2,857	7,694	8,629	11.7	12.2
Aggregate total	53,934	64,042	67,556	2.3	5.5

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. Figures exclude investment expenses. Data represent U.S. life insurers and fraternal benefit societies.

Table 5.6

Taxes, Licenses, and Fees					
	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Income taxes¹	\$13,686	\$16,141	\$10,605	-2.5	-34.3
Social Security taxes	1,781	2,034	1,893	0.6	-7.0
State taxes on premiums	4,251	4,735	5,025	1.7	6.1
Real estate taxes	23	36	51	8.3	41.1
Miscellaneous taxes, licenses, and fees	1,413	4,093	1,929	3.2	-52.9
Total	21,154	27,039	19,503	-0.8	-27.9

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. Figures exclude investment taxes. Data represent U.S. life insurers and fraternal benefit societies.

¹Includes foreign and U.S. federal income taxes, including taxes on capital gains; excludes non-income, state, and investment taxes.

Table 5.7

Investment Expenses of Life Insurers

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Rental	\$207	\$192	\$194	-0.6	1.1
Employment					
Salaries	1,627	2,189	2,254	3.3	2.9
Welfare contributions/payments	275	344	362	2.8	5.1
Total	1,901	2,533	2,615	3.2	3.2
Real estate expenses	1,209	1,895	1,793	4.0	-5.4
Interest	2,548	2,227	2,451	-0.4	10.0
Depreciation on invested assets	753	886	882	1.6	-0.4
Investment taxes and fees¹					
Real estate	661	660	656	-0.1	-0.6
Other	107	95	106	-0.1	11.4
Total	768	755	762	-0.1	0.9
Other	8,622	4,694	5,548	-4.3	18.2
Aggregate total	16,008	13,183	14,246	-1.2	8.1

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.

¹Excludes federal income taxes and taxes on capital gains.

Table 5.8

Payments Under Life Insurance Policies and Annuity Contracts, by Year (millions)

Year	Payments to beneficiaries	Surrenders and withdrawals ¹		Policyholder dividends	Annuity payments ²	Matured endowments	Other payments ³	Total
		Life policies	Annuity contracts ²					
1940	\$995	\$652	NA	\$468	\$176	\$269	\$104	\$2,664
1945	1,280	211	NA	466	216	407	88	2,668
1950	1,590	592	NA	627	327	495	100	3,731
1955	2,241	896	NA	1,021	501	614	110	5,383
1960	3,346	1,633	NA	1,512	830	673	124	8,118
1965	4,831	1,932	NA	2,259	1,300	931	163	11,416
1970	7,017	2,887	NA	3,214	2,120	978	233	16,449
1975	9,192	3,763	NA	4,544	3,665	946	426	22,536
1980	12,884	6,678	NA	6,785	10,195	908	592	38,042
1981	14,154	7,961	NA	7,838	12,021	883	627	43,484
1982	15,066	10,779	NA	7,922	12,814	839	574	47,994
1983	15,660	12,605	NA	8,641	13,564	824	566	51,860
1984	16,752	14,731	NA	9,700	17,912	771	566	60,432
1985	18,226	15,589	NA	10,121	21,259	779	536	66,510
1986	19,479	14,741	NA	10,122	22,657	766	540	68,305
1987	20,530	14,864	NA	10,466	24,316	752	504	71,432
1988	21,660	14,456	NA	11,046	25,665	751	513	74,091
1989	23,261	14,859	NA	11,417	29,383	727	554	80,201
1990	24,567	18,022	NA	11,953	32,575	700	568	88,385
1991	25,407	16,282	NA	12,066	36,615	668	547	91,585
1992	27,235	16,814	NA	12,203	37,550	649	592	95,043
1993	28,819	16,904	NA	12,714	40,325	598	615	99,975
1994	32,583	18,014	\$92,779	15,915	40,412	647	459	200,809
1995	34,545	19,501	105,449	17,816	48,457	1,007	860	227,635
1996	36,257	24,454	115,747	18,064	51,069	741	614	246,946
1997	37,488	24,016	140,842	17,981	55,080	563	608	276,578
1998	40,101	26,816	154,463	18,865	60,410	572	607	301,834
1999	41,363	32,833	198,311	19,149	62,485	528	620	355,288
2000	44,143	27,173	213,989	20,001	68,668	604	605	375,181
2001	46,512	30,653	151,315	19,993	55,197	549	648	304,867
2002	48,166	32,909	142,948	21,033	54,950	621	649	301,276
2003‡	51,661	35,943	140,261	20,761	57,110	596	650	306,982
2004‡	51,576	35,485	162,876	18,981	61,162	595	866	331,541
2005‡	52,996	39,157	190,329	17,919	63,935	640	695	365,672
2006‡	55,694	38,463	237,813	18,429	71,087	612	566	422,664
2007‡	57,957	47,670	262,343	19,519	72,332	623	564	461,008
2008‡	59,949	58,629	236,654	19,053	69,648	614	555	445,101
2009‡	59,470	48,141	182,705	16,163	67,068	573	768	374,888
2010‡	58,392	35,843	184,071	15,942	70,090	562	699	365,599
2011‡	62,132	33,511	206,166	15,547	74,518	606	676	393,156
2012‡	63,259	31,479	216,843	15,530	74,039	442	612	402,204
2013‡	64,350	28,704	222,808	15,965	78,751	396	655	411,629
2014‡	67,850	27,765	256,693	16,672	73,840	375	651	443,846
2015‡	74,306	28,828	247,169	18,524	77,778	424	686	447,715
2016‡	76,039	30,199	238,036	18,447	79,120	448	708	442,998
2017‡	77,057	33,175	279,404	17,725	81,649	464	608	490,083

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

NA: Not available

‡Includes fraternal benefit societies.

¹Beginning in 1994, includes annuity withdrawals of funds. An amount comparable to prior years is not available.

²Beginning in 2001, excludes payments under deposit-type contracts (see Table 3.3).

³Includes some disability benefits and retained assets.

Table 5.9

Payments to Life Insurance Beneficiaries, by Year

Year	Policies in thousands/Amounts in millions							
	Individual		Group		Credit ¹		Total	
	Policies	Amount	Policies	Amount	Policies	Amount	Policies	Amount
1940	974	\$891	50	\$104	—	—	1,024	\$995
1945	1,226	1,109	92	171	—	—	1,318	1,280
1950	1,246	1,307	133	283	—	—	1,379	1,590
1955	1,418	1,650	243	591	—	—	1,661	2,241
1960	1,644	2,231	394	1,115	—	—	2,038	3,346
1965	1,866	3,007	636	1,824	—	—	2,502	4,831
1970	1,974	3,990	767	3,027	—	—	2,741	7,017
1975	1,998	4,901	591	3,807	337	\$484	2,926	9,192
1980	2,045	6,587	637	5,671	285	626	2,967	12,884
1981	2,016	7,117	668	6,374	324	663	3,008	14,154
1982	1,997	7,457	645	6,953	331	656	2,973	15,066
1983	2,004	7,776	663	7,256	252	628	2,919	15,660
1984	2,158	8,457	675	7,655	248	640	3,081	16,752
1985	2,013	9,264	683	8,275	262	687	2,958	18,226
1986	2,039	10,030	686	8,675	246	774	2,971	19,479
1987	1,981	10,593	690	9,073	262	864	2,933	20,530
1988	2,044	11,416	695	9,346	276	898	3,015	21,660
1989	1,988	12,332	763	10,029	240	900	2,991	23,261
1990	1,965	13,439	728	10,281	238	847	2,931	24,567
1991	1,984	13,949	674	10,582	219	876	2,877	25,407
1992	1,926	15,287	643	11,022	186	926	2,755	27,235
1993	1,945	16,584	668	11,572	136	663	2,749	28,819
1994	2,388	18,792	870	12,914	240	877	3,498	32,583
1995	2,405	20,106	767	13,527	224	912	3,396	34,545
1996	2,401	21,351	867	14,016	273	890	3,541	36,257
1997	2,480	22,695	843	13,898	274	895	3,597	37,488
1998	2,435	24,838	819	14,425	391	838	3,644	40,101
1999	2,715	25,274	875	15,260	380	829	3,970	41,363
2000	2,561	27,267	877	16,055	383	821	3,821	44,143
2001	2,688*	28,346	935	17,393	313	773	3,936	46,512
2002	2,632	30,117	942	17,308	341	741	3,915	48,166
2003‡	2,673	32,901	1,107	18,064	293	695	4,073	51,661
2004‡	2,786	32,222	826	18,708	241	646	3,853	51,576
2005‡	2,586	32,760	989	19,633	310	603	3,885	52,996
2006‡	2,568	34,525	1,027	20,601	276	568	3,870	55,694
2007‡	2,483	36,272	1,016	21,168	262	516	3,761	57,957
2008‡	2,463	37,893	1,027	21,525	281	531	3,771	59,949
2009‡	2,402	38,306	964	20,638	237	527	3,603	59,470
2010‡	2,407	39,045	943	18,890	214	458	3,564	58,392
2011‡	2,563	41,869	917	19,832	92	431	3,572	62,132
2012‡	3,512	43,109	946	19,820	185	331	4,644	63,259
2013‡	3,146	43,405	978	20,615	110	331	4,235	64,350
2014‡	2,799	46,419	1,034	21,121	77	310	3,909	67,850
2015‡	2,936	52,436	1,012	21,576	78	294	4,026	74,306
2016‡	2,798	54,214	977	21,527	102	298	3,877	76,039
2017‡	2,596	54,960	1,053	21,811	87	286	3,736	77,057

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.

*Corrected to include industrial policies.

‡Includes fraternal benefit societies.

¹Prior to 1973, death payments under credit life are included in individual and group categories.

Table 5.10

Health Insurance Benefit Payments by Life Insurers, by Year (millions)			
Year	Group	Individual	Total
1948	\$225	\$101	\$326
1950	375	119	494
1955	1,064	326	1,390
1960	2,102	531	2,633
1965	3,572	841	4,413
1970	6,840	1,368	8,208
1975	12,410	1,910	14,320
1980	19,759	3,279	23,038
1981	21,049	3,425	24,474
1982	22,288	3,767	26,055
1983	22,799	4,113	26,912
1984	22,782	4,271	27,053
1985	22,830	4,468	27,298
1986	24,249	4,717	28,966
1987	29,452	5,417	34,869
1988	32,063	6,320	38,383
1989	32,375	7,057	39,432
1990	32,054	7,956	40,010
1991	33,933	8,672	42,605
1992	35,434	9,516	44,950
1993	35,775	10,232	46,007
1994	48,218	11,856	60,074
1995	51,674	13,040	64,714
1996	53,297	13,401	66,698
1997	53,393	14,039	67,432
1998	55,239	14,791	70,030
1999	58,203	16,261	74,464
2000	61,098	17,685	78,784
2001	58,211	18,093	76,304
2002	59,523	19,200	78,723
2003‡	60,317	20,812	81,129
2004‡	65,237	22,551	87,789
2005‡	59,313	19,615	78,928
2006‡	62,407	34,048	96,455
2007‡	66,641	38,982	105,623
2008‡	71,376	47,089	118,465
2009‡	71,077	50,501	121,578
2010‡	68,441	53,634	122,075
2011‡	67,032	53,204	120,236
2012‡	69,505	53,915	123,419
2013‡	71,862	55,271	127,133
2014‡	67,231	46,038	113,269
2015‡	75,286	39,705	114,992
2016‡	78,602	40,984	119,586
2017‡	85,919	40,527	126,446

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. Figures exclude policy dividends. 1994-96 data have been revised to reflect the addition of life insurers that sell accident and health insurance. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

6 REINSURANCE

Reinsurance is a risk management tool used by insurers to spread risk and manage capital. The insurer transfers some or all of an insurance risk to another insurer. The insurer transferring the risk is called the “ceding insurer”. The insurer accepting the risk is called the “assuming insurer” or “reinsurer”. For life insurers, the risk transferred may be mortality, longevity or morbidity risk, surrender or expense risk, investment risk, or a combination of these risks.

Reinsurance has made possible the protection of a wider array of individuals and groups than would otherwise be feasible. An insurer who is approached by an applicant who presents an unusual risk—or who needs an amount of life insurance policy that is larger than the insurer’s retention limit (the amount of risk an insurer has determined it can judiciously retain)—may still be able to offer the policy to the consumer if part of the risk is transferred to a reinsurer. A ceding insurer also uses reinsurance to limit its risk on a group of policies to avoid fluctuations in claim levels or to lower the risk of claims involving multiple deaths from single events.

Virtually all life insurers buy reinsurance to improve their risk profile. In 2017, 87 percent of life insurers with life premiums ceded at least some of those premiums as reinsurance. Among insurers with accident and health premiums, 83 percent ceded accident and health premiums as reinsurance. Forty seven percent of insurers doing annuity business in 2017 ceded annuity considerations, excluding deposit-type funds. The Society of Actuaries annually publishes more detailed data on the life reinsurance marketplace in the *Reinsurance News*.

ALLOCATING RISK

In order for families to have peace of mind and for economies to thrive, there must be a mechanism to deal with large financial risk. Life insurers provide that financial security. Reinsurance spreads the risk of loss between two insurance companies. The risk can be spread even further if the ceding insurer uses more than one reinsurer, or the reinsurer in turn transfers some of that risk to another reinsurer, or retrocessionaire.

In the most basic reinsurance arrangement, a single insurer issuing policies to the public cedes business to a single reinsurer, usually an independent firm operating in the open marketplace. Insurers sometimes cede business to affiliates to aggregate similar risks in one entity for efficient risk management. Insurance groups also use captive reinsurers to reinsure risks exclusively from affiliated companies to access capital markets.

When reinsurance exists, the ceding insurer transferring the risk retains its financial relationship with, and legal obligation to pay claims to, the policyholder. The policyholder will not even be aware that part of the risk in their policy is covered by a reinsurer. The reinsurer indemnifies, or reimburses, the ceding insurer for losses incurred on the reinsured policies.

Reinsurance is now a global business. Of the \$221 billion total reinsurance premiums paid by U.S. life insurers in 2017, 63 percent was paid to reinsurers domiciled in the U.S. and 37 percent to reinsurers domiciled in other countries.

REINSURANCE RELATIONSHIP

Underwriting Strength

A closely related motivation for reinsurance is obtaining the reinsurer's underwriting assistance and proficiency. Reinsurers review and maintain policy and claim records on a large volume of risks from many ceding companies whose policyholders are diverse and geographically distributed. The risk pool from which they develop and provide underwriting knowledge is larger and wider than is normally available to a single primary insurer.

Underwriting is further strengthened when risk is spread to more than one reinsurer or retrocessionaire, because of the exposure to an even broader range of policies and claims. Confidence that underwriters are competently and professionally meeting its underwriting needs allows a ceding insurer to concentrate on other activities to expand its business.

Product Flexibility

Another reason to reinsure is the opportunity it gives a ceding insurer to exit from some product lines and enter others. If an insurer has issued policies in a particular product line that it wishes to discontinue, the insurer can reinsure most or all of the risk on those policies.

Conversely, if an insurer wants to enter a particular product line, reinsurers can help with product development and assume some of the product's risk. Later, as the primary insurer gains more confidence in its ability to underwrite and develop the product, the insurer might retain more of the risk on new business and recapture provisions in the reinsurance treaty might allow it to take back some of the risk the reinsurer assumed.

Capital Management

Reinsurance also helps a ceding insurer manage its capital efficiently. This is especially helpful to a life insurer issuing new policies because initial costs (expenses plus reserves) are often higher than premiums received. Sharing those initial costs and risks with a reinsurer helps the ceding insurer manage its cash flows.

TYPES OF REINSURANCE

Various reinsurance plans are available based on ceding companies' needs and their reasons for reinsuring. Plans can be broadly classified as either proportional reinsurance, specifying in advance the amounts or percentages of risk for which the reinsurer is liable, or nonproportional, specifying instead the loss limits, time limits, or conditions beyond which a reinsurer will reimburse some or all of the ceding insurer's benefit payments.

Proportional Reinsurance

Specified amounts or percentages are shared between ceding companies and reinsurers in proportional reinsurance. Excess of retention allocates risk by amount. The ceding insurer establishes a dollar amount beyond which it is unwilling to retain risk, and the reinsurer assumes risk over this amount, up to the reinsurer's retention limit. In contrast, quota share allocates by percentage, where the ceding insurer and reinsurer establish the percentage of risk for which each will retain or assume responsibility.

Proportional plans, commonly used in life insurance include:

- *Yearly renewable term (YRT)* In this type, mortality risk is the only risk transferred to the reinsurer. The reinsurance premium varies each year with the age of the insured. YRT reinsurance allows a ceding insurer to transfer mortality risk, but it leaves the insurer responsible for establishing reserves for the remainder of the policy benefits. Despite its name, YRT is not yearly renewable. The reinsurer may not terminate coverage until the original insurance policy terminates.

- *Coinsurance* The ceding insurer transfers a proportionate share of all the policy risks and cash flows. The reinsurer re-ceive its share of premiums, pays its share of benefits, sets up its share of reserves, and pays an allowance to the ceding insurer to cover its share of the costs of administering the policy.
- *Modified coinsurance* The reinsurer transfers its share of reserves back to the ceding insurer while the risk remains with the reinsurer. The ceding insurer, however, must pay interest to replace what the reinsurer would have earned had it retained its share of the reserve. This arrangement allows the ceding insurer to reduce potential credit risk and to retain control over investments. The latter is particularly important where the insurer is using a unique investment strategy.

Nonproportional reinsurance

Nonproportional plans can be used for all types of insurance. Common uses include:

- *Stop loss* The reinsurer remits some or all of a ceding company's aggregate claims above a predetermined dollar amount (the attachment point), or above a percentage of premiums during a specified period.
- *Excess of time* Most often used for disability or long-term care reinsurance, this type of plan specifies the time after which a reinsurer pays some or all of the claims.
- *Catastrophe* The reinsurer covers claims that exceed a specified amount or number of insureds due to a single event resulting in more than one loss, as in an accident or natural disaster.

Table 6.1

Reinsurance Assumed and Ceded—Premiums

	Millions			Average annual percentage change	
	2007	2016	2017	2007/2017	2016/2017
PREMIUMS PAID ON CEDED BUSINESS					
Life insurance					
Individual	\$77,542	\$110,823	\$97,789	2.3	-11.8
Affiliates	61,905	51,229	51,365	-1.8	0.3
Non-Affiliates	15,637	59,594	46,425	11.5	-22.1
Group	5,209	15,254	20,701	14.8	35.7
Affiliates	1,661	6,164	7,236	15.9	17.4
Non-Affiliates	3,547	9,090	13,465	14.3	48.1
Credit	786	344	324	-8.5	-5.9
Total	83,537	126,421	118,814	3.6	-6.0
Annuity considerations¹					
Individual	28,785	17,911	46,015	4.8	156.9
Affiliates	25,717	11,956	37,567	3.9	214.2
Non-Affiliates	3,067	5,955	8,448	10.7	41.9
Group	1,004	10,298	8,003	23.1	-22.3
Affiliates	197	5,911	5,402	39.3	-8.6
Non-Affiliates	807	4,387	2,601	12.4	-40.7
Total	29,789	28,210	54,018	6.1	91.5
Accident and health insurance					
Individual	10,758	14,279	16,780	4.5	17.5
Affiliates	1,983	7,123	11,410	19.1	60.2
Non-Affiliates	8,775	7,156	5,370	-4.8	-25.0
Group	10,327	28,076	30,851	11.6	9.9
Affiliates	4,820	15,627	15,792	12.6	1.1
Non-Affiliates	5,507	12,449	15,059	10.6	21.0
Credit	724	282	277	-9.2	-1.7
Total	21,809	42,637	47,909	8.2	12.4
Aggregate total	135,135	197,268	220,740	5.0	11.9
PREMIUMS FROM ASSUMED BUSINESS					
Life insurance					
Individual	\$34,734	\$56,748	\$61,788	5.9	8.9
Affiliates	2,416	347	14,327	19.5	NC
Non-Affiliates	32,318	56,401	47,461	3.9	-15.8
Group	3,769	7,441	9,976	10.2	34.1
Affiliates	623	750	857	3.2	14.4
Non-Affiliates	3,146	6,691	9,118	11.2	36.3
Credit	292	128	122	-8.4	-5.0
Total	38,795	64,316	71,885	6.4	11.8
Annuity considerations¹					
Individual	11,555	14,622	21,296	6.3	45.6
Affiliates	1,198	12,765	9,044	22.4	-29.1
Non-Affiliates	10,357	1,857	12,252	1.7	559.8
Group	755	5,450	3,725	17.3	-31.7
Affiliates	147	562	2,446	32.5	335.6
Non-Affiliates	608	4,889	1,279	7.7	-73.8
Total	12,310	20,072	25,021	7.4	24.7

Continued

Table 6.1

Reinsurance Assumed and Ceded—Premiums continued					
	Millions			Average annual percentage change	
	2007	2016	2017	2007/2017	2016/2017
PREMIUMS FROM ASSUMED BUSINESS continued					
Accident and health insurance					
Individual	6,410	9,158	10,916	5.5	19.2
Affiliates	1,191	4,003	6,113	17.8	52.7
Non-Affiliates	5,218	5,156	4,803	-0.8	-6.8
Group	11,032	16,957	16,045	3.8	-5.4
Affiliates	5,440	5,236	3,801	-3.5	-27.4
Non-Affiliates	5,592	11,721	12,244	8.2	4.5
Credit	358	109	102	-11.8	-6.5
Total	17,800	26,224	27,063	4.3	3.2
Aggregate total	68,905	110,613	123,969	6.0	12.1

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 fraternal benefit societies.

¹From 2001, excludes deposit-type funds as income due to codification, making data incomparable with previous years.

Table 6.2

Life Reinsurance Assumed (face amount)					
	Millions			Average annual percentage change	
	2007	2016	2017	2007/2017	2016/2017
Face amount (millions)					
Individual	\$1,028,874	\$1,608,595	\$1,077,402	0.5	-33.0
Group	102,364	1,029,102	796,077	22.8	-22.6
Credit	8,572	7,251	7,509	-1.3	3.6
Total	1,139,810	2,644,948	1,880,988	5.1	-28.9
Policies (units)					
Individual	11,949,687	11,635,469	12,151,267	0.2	4.4
Group	3,985,456	46,021,604	14,359,340	13.7	-68.8
Credit	1,462,294	278,308	269,579	-15.6	-3.1
Total	17,397,437	57,935,381	26,780,186	4.4	-53.8

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.

7 LIFE INSURANCE

People buy life insurance to protect their dependents against financial hardship when the insured person, the policyholder, dies. Many life insurance products also allow policyholders to accumulate savings that can be used in a time of financial need. Most American families depend on life insurance to provide this economic protection: 90 million American families rely on life insurers' products for financial and retirement security.*

Americans purchased \$3.1 trillion of new life insurance coverage in 2017, a 5.2 percent increase from 2016. By the end of 2017, total life insurance coverage in the United States was \$20.4 trillion, an increase of .5 percent from 2016 (Table 7.1).

Three types of life insurance policies predominate the market. Individual insurance is underwritten separately for each individual who seeks insurance protection. Group insurance is underwritten on a group as a whole, such as the employees of a company or the members of an organization. Credit insurance guarantees payment of some debt, such as a mortgage or other loan, in the event the insured person dies, and can be bought on either an individual or a group basis. Insurance on loans of 10 years' or less duration is classified as credit insurance in National Association of Insurance Commissioners accounts; insurance on longer loans is included in individual or group policy data in this chapter. Life insurance policies offered by fraternal benefit societies are considered individual insurance.

INDIVIDUAL LIFE INSURANCE

Individual life is the most widely used form of life insurance protection, accounting for 58 percent of all life insurance in force in the United States at year-end 2017 (Table 7.1). Typically purchased through life insurance agents, this insurance is issued under individual policies with face amounts as low as \$1,000, although larger minimum amounts are more typical in today's market. While individual life is principally used for family protection, it also is widely used for business purposes. A business may purchase life insurance to protect against the economic loss that would result from the death of the owner or a key employee.

Individual life insurance protection in the United States totaled \$12 trillion at the end of 2017 and has grown at an average annual rate of 1.5 percent since 2007, when \$10.2 trillion was in force (Table 7.1).

The average size of new individual life policies purchased has decreased since its peak in 2008 (\$183,000) to \$163,000 in 2017 (Figure 7.2). The number of individual policies purchased totaled 10.5 million in 2017 (Table 7.1).

Individual life policies offer two basic types of protection: covering a specified term, or permanently covering one's whole life.

* 75 million households rely on life insurance and/or non-qualified annuities; an additional 15 million households who don't own life insurance or non-qualified annuities rely on qualified annuities, disability income insurance, long-term care insurance, supplemental insurance, or a combination of these products.

Types of Policies

Term Insurance

Term insurance policies provide life insurance coverage for a specified period, usually greater than one year. Term policies provide no further benefits when the term expires, and no buildup of cash value occurs. If this insurance is not renewed at the end of its term, coverage lapses and no payment would be made to the beneficiary in the event of death.

Of new individual life policies purchased in 2017, 40 percent, or 4.1 million, were term insurance, totaling \$1.2 trillion, or 70 percent, of the individual life face amount issued (Table 7.2). The most popular form of term insurance is level term, which offers a fixed premium.

Permanent Insurance

Unlike term insurance, permanent life (or whole life) insurance provides protection for as long as the insured lives. Permanent life policies also have a savings component, building cash value that can help families meet financial emergencies, pay for special goals, or provide income for retirement years.

There are four types of permanent life insurance policies: traditional whole life, universal life (UL), variable life (VL), and variable-universal life (VUL). The annual premium for traditional whole life policies remains constant throughout the life of the policy. In earlier years, the premium is higher than the actual cost of the insurance, but in later years it becomes substantially lower than the actual cost of protection. The excess amount of each premium in the early years is held in reserve as the policy's cash value. This cash value grows over time from investment earnings and future premium payments, providing funds for the cost of coverage as the insured grows older. If a policyholder decides to give up the insurance protection, he or she receives the cash value upon surrendering the policy, less any outstanding policy loans. Universal life allows varying premium payment amounts subject to a certain minimum and maximum. For variable life, the death benefit and cash value vary subject to the performance of a portfolio of investments chosen by the policyholder. VUL combines the flexible premium payment options of UL with the varied investment options of VL.

In 2017, direct purchases of permanent life constituted 60 percent of U.S. individual life insurance policies issued and 30 percent of the total face amount issued (Table 7.2).

Participating and Nonparticipating Insurance

Traditional whole life and term insurance policies can be purchased on a participating or nonparticipating basis. A participating policy allows the policyholder to share in the insurance company's surplus. With this type of life insurance, a policyholder receives annual dividends representing that portion of the premium not needed by the company for death payments to beneficiaries, additions to reserves, or administrative expenses. Nearly three-fourths of individual life policies' face amount purchased were nonparticipating at \$1.17 trillion (70%) in 2017 (Table 7.3).

Characteristics of Individual Policies

Lapses and Surrenders

A policy lapses if its premium is not paid by the end of a specified time, often called the grace period. Policyholders have different reasons for terminating their policies, sometimes using cash values to address financial emergencies or achieve long-term goals. Rates of voluntary policy termination by policyholders vary considerably among life insurers. Each company's rate depends on many factors, including the types of policies written and the ratio of new policies to older ones in force with the company.

The voluntary termination rate of individual life insurance policies reached 5.7 percent by 2017 (Table 7.4). Of the individual life policies that have been voluntarily terminated, 20% were surrendered based on face amount.

The life insurance business vigorously seeks to minimize the lapsing of policies. For example, agent training focuses on realistic identification of clients' life insurance needs, and careful analysis of the use of family income for protection. Since the voluntary termination rate is higher for policies on which loans are outstanding, companies urge that loans be used only in genuine financial emergencies, and that they be repaid promptly.

Most insurers offer policyholders time after their policy is delivered to consider whether to keep the policy. These companies will refund the premium in full if, within the prescribed time, the policyholder decides not to keep his or her policy.

Some policies that lapse still have a cash value, entitling the policyholder to some form of payment under a cash surrender value *non-forfeiture option*. All coverage under the policy terminates at the time of the surrender.

Disability Provisions

Besides the benefit payable upon death of the insured, many life insurance policies or policy riders provide disability benefits to cover financial losses that result from a sickness or injury. The most common supplementary benefit is waiver of premium. Of individual life policies in force in 2017, 91 percent, or 32 million, allowed the premium to be waived during disability, representing \$4.2 trillion, or 99 percent, of the individual life face amount in force with disability provisions (Table 7.6).

GROUP LIFE INSURANCE

Group life insurance is a contract between an insurance company and some group to insure all of the group's members, usually under term coverage. Common examples are employer-provided life insurance and insurance offered through unions and professional associations. Employees or other group members receive certificates denoting their participation in the group coverage. In 2017, group insurance represented 46 percent of all life insurance policies in force (Table 7.1).

Group purchases increased 11 percent in 2017 to \$1.3 trillion. At the end of 2017, group life insurance provided \$8.4 trillion of protection, 2 percent more than a year earlier (Table 7.1).

Group insurance contracts can provide benefits beyond term insurance. Employees often can retain coverage after retirement by paying premiums directly to the insurer. Many policies also offer survivor benefits, usually continuing monthly payments to the spouse of an employee who dies before retirement; payments may

extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of a spouse's death are available as well. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary.

As with individual life policies, group policies can be purchased on either a participating or nonparticipating basis. Most group life policies are nonparticipating—94 percent of those purchased in 2017, at \$1.2 trillion (Table 7.3).

The voluntary termination rate of group life insurance policies decreased to 6.1 percent from 6.2 percent a year earlier. The voluntary lapses in 2017 decreased to 5.9 percent from 6.1 percent in 2016 (Table 7.4).

Group policies also provide disability benefits. Of group life policies in force in 2017, 94 percent, or 93 million, provided for waiver of premium, representing \$5.3 trillion, or 87 percent, of the group life face amount in force with disability provisions (Table 7.6).

CREDIT LIFE INSURANCE

Credit life insurance pays the balance on loans of 10 years' or less duration if the borrower dies before repaying the amount due. At year-end 2017, \$78 billion of credit life insurance was in force, down .4 percent from the previous year (Table 7.1).

Credit life, commonly part of consumer credit contracts, is term insurance, generally decreasing in amount as a loan is repaid. It protects the borrower's family, as well as the lender, against unpaid debt that may be left at death. Life insurers issue credit insurance through lenders such as banks, finance companies, credit unions, and retailers, who in turn make arrangements with borrowers.

As with other life policies, credit policies can be purchased on either a participating or nonparticipating basis. Of credit life policies purchased in 2017, 97 percent, or \$49 billion, were nonparticipating (Table 7.3).

POLICY CLAIMS RESISTED OR COMPROMISED

From time to time, life insurers find it necessary to delay or deny payment of claims due to material misrepresentation, suicide within the contestable period, or no proof of death, among other reasons. In 2017, \$551 million in new claims along with \$616 million in other claims were in dispute. Of this amount, \$248 million was paid in 2017 and \$355 million still resisted at the end of the year (Table 7.7).

Table 7.1

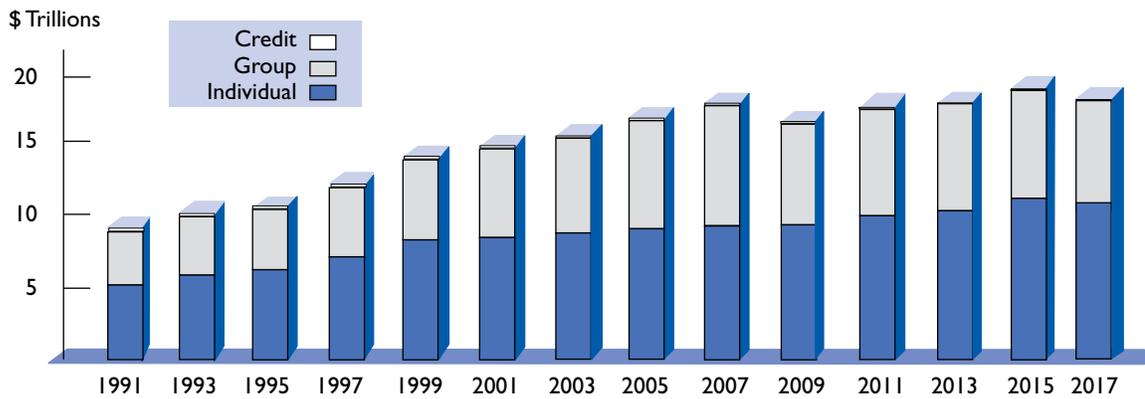
Life Insurance in the United States					
	Life Insurance			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
PURCHASES					
Face amount (millions)					
Individual	\$1,890,989	\$1,684,585	\$1,711,545	-1.0	1.6
Group	1,102,654	1,189,673	1,315,651	1.8	10.6
Credit	112,647	52,348	50,303	-7.7	-3.9
Total	3,106,290	2,926,605	3,077,499	-0.1	5.2
Policies (thousands)					
Individual	10,826	11,005	10,478	-0.3	-4.8
Group (certificates)	19,962	16,518	17,557	-1.3	6.3
Credit	16,133	8,822	8,164	-6.6	-7.5
Total	46,921	36,345	36,198	-2.6	-0.4
IN FORCE					
Face amount (millions)					
Individual	\$10,231,765	\$11,991,547	\$11,927,253	1.5	-0.5
Group	9,157,919	8,245,991	8,410,652	-0.8	2.0
Credit	149,536	78,117	77,787	-6.3	-0.4
Total	19,539,219	20,315,655	20,415,692	0.4	0.5
Policies (thousands)					
Individual	158,336	142,339	141,753	-1.1	-0.4
Group (certificates)	179,685	133,443	132,648	-3.0	-0.6
Credit	35,684	14,866	14,456	-8.6	-2.8
Total	373,706	290,648	288,857	-2.5	-0.6

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. Data represent U.S. life insurers and fraternal benefit societies. Data represent direct business, except for face amount in force which is net of reinsurance. Face amount and policies issued by fraternal benefit societies are considered individual business. Credit and Total face amounts revised for 2016.

Figure 7.1

Individual, Group, and Credit Life Insurance in Force in the United States (face amount)

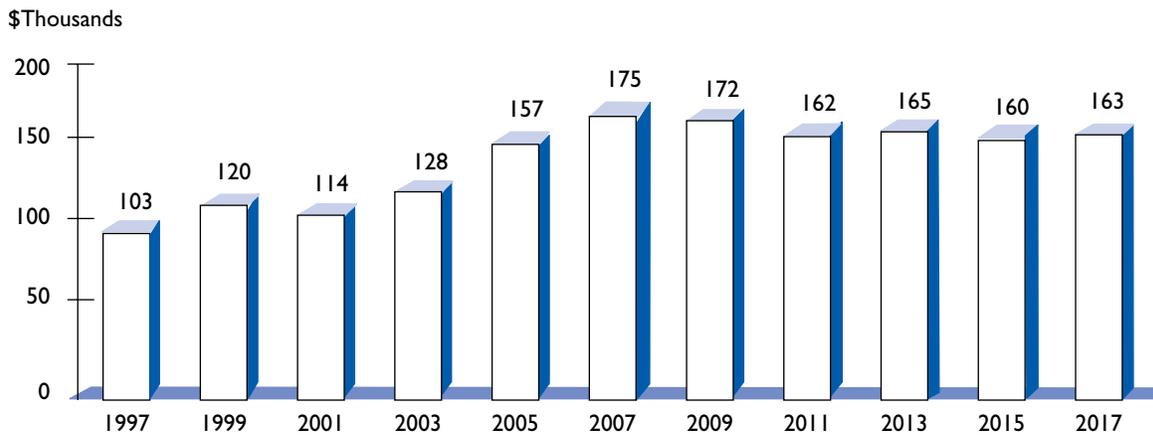


Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission. NAIC does not endorse any analysis or conclusions based on use of its data.

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

Figure 7.2

Average Face Amount of Individual Life Insurance Policies Purchased



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

Table 7.2

Individual Life Insurance Purchases in the United States, by Plan Type, 2017				
	Policies in thousands/Amounts in millions			
	Policies	Percent	Face amount	Percent
Term insurance				
Decreasing Level	180	1.8	\$1,179	0.1
Decreasing other term ¹	3,879	38.4	1,099,691	65.7
Level other term ²	NA	NA	3,941	0.2
Term additions	NA	NA	69,499	4.2
Total	NA	NA	1,706	0.1
Whole life and endowment	4,059	40.1	1,176,016	70.3
Aggregate total	6,054	59.9	497,447	29.7
	10,114	100.0	1,673,463	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. Does not include fraternal benefit societies.

NA: Not available

¹Includes decreasing term insurance on spouses and children under family policies.

²Includes level term insurance on spouses and children under family policies.

Table 7.3

Life Insurance Purchases, by Participating Status								
	Individual		Group		Credit		Total	
	Face amount (millions)	Percent						
2007								
Nonparticipating	\$1,464,841	78.6	\$1,051,328	95.3	\$94,432	83.8	\$2,610,601	84.8
Participating	398,024	21.4	51,325	4.7	18,215	16.2	467,565	15.2
Total	1,862,865	100.0	1,102,654	100.0	112,647	100.0	3,078,166	100.0
2016								
Nonparticipating	1,171,972	71.0	1,124,709	94.5	49,388	94.3	2,346,069	81.1
Participating	478,403	29.0	64,964	5.5	2,960	5.7	546,326	18.9
Total	1,650,375	100.0	1,189,673	100.0	52,348	100.0	2,892,395	100.0
2017								
Nonparticipating	1,173,763	70.1	1,236,592	94.0	49,002	97.4	2,459,357	80.9
Participating	499,731	29.9	79,058	6.0	1,301	2.6	580,090	19.1
Total	1,673,494	100.0	1,315,651	100.0	50,303	100.0	3,039,447	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. Data represent U.S. life insurers; data for fraternal benefit societies not included.

Credit and Total face amounts revised for 2016.

Table 7.4

Voluntary Termination Rates for Life Insurance Policies, Calculated by Face Amount (percent)											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lapse rate											
Individual	5.1	6.1	5.7	5.4	4.8	4.7	4.6	4.3	4.4	4.3	4.5
Group	6.7	6.7	6.6	5.6	4.6	5.6	6.4	5.5	5.9	6.1	5.9
Credit	6.9	6.1	9.9	6.9	6.8	7.4	7.5	8.5	8.0	6.8	6.6
Surrender rate											
Individual	1.3	1.5	1.6	1.4	1.2	1.2	1.0	1.0	1.0	1.0	1.1
Group	0.1	0.2	0.3	0.2	0.3	0.6	0.1	0.1	0.1	0.1	0.1
Credit	7.9	8.3	7.0	6.6	7.3	8.2	9.7	14.6	9.6	7.2	7.1
Combined termination rate											
Individual	6.4	7.6	7.3	6.8	6.1	5.9	5.7	5.3	5.4	5.2	5.7
Group	6.8	6.9	7.0	5.8	4.9	6.2	6.5	5.6	5.9	6.2	6.1
Credit	14.8	14.4	16.9	13.5	14.1	15.6	17.1	23.1	17.6	14.0	13.6

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. Data represent U.S. life insurers and fraternal benefit societies. 2016 rates revised for Credit.

Table 7.5

Voluntary Termination Rates for Life Insurance Policies, Calculated by Number of Policies (percent)											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lapse rate											
Individual	5.5	6.8	5.7	5.0	4.9	4.7	4.0	5.1	4.6	5.0	5.3
Group	6.6	6.6	10.0	6.7	5.9	5.9	8.4	7.2	6.3	5.7	5.7
Credit	5.4	5.4	10.1	7.9	7.9	7.8	8.1	9.3	7.1	5.6	5.2
Surrender rate											
Individual	1.1	1.1	1.2	1.2	1.1	1.1	1.0	1.1	1.0	1.0	1.1
Group	0.1	0.2	0.2	0.1	0.2	0.6	0.1	0.1	0.1	0.1	0.1
Credit	9.3	18.0	10.0	10.7	10.7	11.9	12.2	13.6	10.3	8.3	9.1
Combined termination rate											
Individual	6.6	7.9	6.9	6.1	6.1	5.8	5.0	6.2	5.6	6.0	6.4
Group	6.7	6.8	10.2	6.8	6.0	6.4	8.5	7.3	6.4	5.8	5.7
Credit	14.6	23.4	20.1	18.6	18.6	19.7	20.3	22.9	17.4	13.9	14.3

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

Table 7.6

Life Insurance With Disability Provisions, 2017

	Policies and certificates in thousands/Amounts in millions			
	Policies	Percent of policies in force	Face amount	Percent of amount in force
Individual^{1,2}				
Waiver of premium	31,877	22.5	\$4,228,599	35.5
Disability income	272	0.2	12,166	0.1
Extended benefits [‡]	0	0.0	111	0.0
Other	2,899	2.0	39,126	0.3
Total	35,049	24.7	4,280,002	35.9
Group³				
Waiver of premium	92,867	70.0	5,264,444	62.6
Disability income	1,308	1.0	69,243	0.8
Extended benefits	1,932	1.5	129,168	1.5
Other	2,275	1.7	579,910	6.9
Total	98,382	74.2	6,042,765	71.8
Credit⁴				
Waiver of premium	114	0.8	166	0.2
Disability income	87	0.6	219	0.3
Extended benefits	15	0.1	118	0.2
Total	215	1.5	503	0.6

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. Data represent U.S. life insurers.

¹Does not include fraternal benefit societies.

²Policies in force totaled 142 million, with a face amount of \$11.9 trillion.

³Certificates in force totaled 133 million, with a face amount of \$8.4 trillion.

⁴Policies in force totaled 14 million, with a face amount of \$77.8 billion.

[‡]Less than 500 policies.

Table 7.7

New Policy Claims Resisted or Compromised (thousands)

	2007		2016		2017	
	Face amount	Percent	Face amount	Percent	Face amount	Percent
New claims in dispute	\$238,516	25.7	\$384,052	33.8	\$550,948	47.2
All other claims in dispute	688,101	74.3	752,754	66.2	615,874	52.8
Total claims in dispute	926,617	100.0	1,136,806	100.0	1,166,822	100.0
Amount paid for new claims	25,753	23.6	38,776	25.2	153,739	62.0
Amount paid for claims previously resisted	83,182	76.4	115,046	74.8	94,125	38.0
Total amount paid	108,935	100.0	153,822	100.0	247,865	100.0
Amount resisted at year's end¹	392,411		330,940		354,640	

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.

¹Not equal to subtracting total amount paid from total claims in dispute. The amount paid for claims disposed of usually varies from the amount claimed. 2016 rates revised for Credit.

Table 7.8

Life Insurance Purchases, by Year

Year	Policies and certificates in thousands/Amounts in millions					
	Individual		Group		Total	
	Policies	Face amount	Certificates	Face amount	Policies/ Certificates	Face amount
1940	17,872	\$10,039	285	\$691	18,157	\$10,730
1945	16,212	13,289	681	1,265	16,893	14,554
1950	20,203	22,728	2,631	6,068	22,834	28,796
1955	21,928	37,169	2,217	11,258*	24,145	48,427*
1960	21,021	59,763	3,734	14,645	24,755	74,408
1965	20,429	90,781	7,007	51,385+	27,436	142,166+
1970	18,550	129,432	5,219	63,690+	23,769	193,122+
1975	18,946	194,732	8,146	95,190+	27,092	289,922+
1980	17,628	389,184	11,379	183,418	29,007	572,602
1985	17,637	911,666	16,243	319,503*	33,880	1,231,169*
1986	17,116	934,010	17,507	374,741+	34,623	1,308,751+
1987	16,455	986,984	16,698	365,529	33,153	1,352,513
1988	15,796	996,006	15,793	410,848	31,589	1,406,854
1989	14,850	1,020,971	15,110	420,707	29,960	1,441,678
1990	14,199	1,069,880	14,592	459,271	28,791	1,529,151
1991	13,583	1,041,706	16,230	573,953+	29,813	1,615,659+
1992	13,452	1,048,357	14,930	440,143	28,382	1,488,500
1993	13,664	1,101,476	17,574	576,823	31,238	1,678,299
1994	13,835	1,057,233	18,390	560,232	32,225	1,617,465
1995	12,595	1,039,258	19,404	537,828	31,999	1,577,086
1996	12,022	1,089,268	18,761	614,565	30,783	1,703,833
1997	11,734	1,203,681	19,973	688,589	31,707	1,892,270
1998	11,559	1,324,671	20,332	739,508	31,891	2,064,179
1999	11,673	1,399,848	26,912	966,858	38,584	2,366,706
2000	11,820	1,593,907	21,537	921,001	33,357	2,514,908
2001	14,059	1,600,471	26,036	1,172,080	40,095	2,772,551
2002	14,692	1,752,941	24,020	1,013,728	38,713	2,766,669
2003‡	13,821	1,772,673	21,946	1,050,318	35,767	2,822,992
2004‡	12,581	1,846,384	25,872	1,101,599	38,453	2,947,983
2005‡	11,407	1,796,384	23,112	1,039,878	34,519	2,836,262
2006‡	10,908	1,813,100	18,378	1,022,080	29,287	2,835,180
2007‡	10,826	1,890,989	19,962	1,102,654	30,788	2,993,643
2008‡	10,207	1,869,554	18,392	1,073,273	28,599	2,942,827
2009‡	10,139	1,744,357	19,051	1,155,824	29,190	2,900,181
2010‡	10,123	1,673,216	18,498	1,135,354	28,621	2,808,570
2011‡	10,309	1,672,514	16,867	1,159,934	27,177	2,832,448
2012‡	10,306	1,679,314	16,757	1,120,625	27,063	2,799,939
2013‡	9,929	1,640,202	15,336	1,138,686	25,264	2,778,888
2014‡	9,440	1,590,181	17,707	1,168,416	27,147	2,758,596
2015‡	10,305	1,647,292	18,010	1,229,275	28,315	2,876,567
2016‡	11,005	1,684,585	16,518	1,189,673	27,523	2,874,257
2017‡	10,478	1,711,545	17,557	1,315,651	28,035	3,027,196

Sources: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission; LIMRA International.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data; Data represent direct business and exclude revivals, increases, dividend additions, and reinsurance acquired. 1940-73 data exclude credit life insurance. Beginning with 1974, data include long-term credit insurance (life insurance on loans of more than 10 years' duration). Data represent U.S. life insurers and, as 2003, fraternal benefit societies.

*Includes Federal Employees' Group Life Insurance of \$1.9 billion in 1955, \$84.4 billion in 1981, and \$10.8 billion in 1985.

†Includes Servicemen's Group Life Insurance of \$27.8 billion in 1965, \$17.1 billion in 1970, \$1.7 billion in 1975, \$45.6 billion in 1981, \$51 billion in 1986, and \$166.7 billion in 1991.

‡Includes fraternal benefit societies.

Table 7.9

Life Insurance in Force in the United States, by Year (millions)

Year	Individual		Group		Credit		Total	
	Policies	Face amount	Certificates	Face amount	Policies ¹	Face amount	Policies/ Certificates	Face amount
1900	14	\$7,573	—	—	—	—	14	\$7,573
1905	22	11,863	—	—	—	—	22	11,863
1910	29	14,908	—	—	—	—	29	14,908
1915	41	20,929	*	\$100	—	—	41	21,029
1920	64	38,966	2	1,570	*	\$4	66	40,540
1925	94	65,210	3	4,247	*	18	97	69,475
1930	118	96,539	6	9,801	*	73	124	106,413
1935	114	88,155	6	10,208	1	101	121	98,464
1940	122	100,212	9	14,938	3	380	134	115,530
1945	149	129,225	12	22,172	2	365	163	151,762
1950	172	182,531	19	47,793	11	3,844	202	234,168
1955	192	256,494	32	101,345	28	14,493	252	372,332
1960	195	381,444	44	175,903	43	29,101	282	586,448
1965	196	539,456	61	308,078	63	53,020	320	900,554
1970	197	773,374	80	551,357	78	77,392	355	1,402,123
1975	204	1,122,844	96	904,695	80	112,032	380	2,139,571
1980	206	1,796,468	118	1,579,355	78	165,215	402	3,541,038
1985	186	3,275,539	130	2,561,595	70	215,973	386	6,053,107
1990	177	5,391,053	141	3,753,506	71	248,038	389	9,392,597
1991	170	5,700,252	141	4,057,606	64	228,478	375	9,986,336
1992	168	5,962,783	142	4,240,919	56	202,090	366	10,405,792
1993	169	6,448,885	142	4,456,338	52	199,518	363	11,104,741
1994	169	6,448,758	145	4,443,179	52	189,398	366	11,081,335
1995	166	6,890,386	147	4,604,856	57	201,083	370	11,696,325
1996	166	7,425,746	139	5,067,804	50	210,746	355	12,704,296
1997	162	7,872,561	142	5,279,042	47	212,255	351	13,363,858
1998	160	8,523,258	152	5,735,273	46	212,917	359	14,471,448
1999	162	9,172,397	159	6,110,218	46	213,453	367	15,496,069
2000	163	9,376,370	156	6,376,127	50	200,770	369	15,953,267
2001	166	9,345,723	163	6,765,074	48	178,851	377	16,289,648
2002	169	9,311,729	164	6,876,075	42	158,534	375	16,346,338
2003‡	176	9,654,731	163	7,236,191	40	152,739	379	17,043,661
2004‡	168	9,717,377	165	7,630,503	39	160,371	373	17,508,252
2005‡	166	9,969,899	167	8,263,019	40	165,605	373	18,398,523
2006‡	161	10,056,501	177	8,905,646	37	150,289	375	19,112,436
2007‡	158	10,231,765	180	9,157,919	36	149,536	374	19,539,219
2008‡	156	10,254,379	148	8,717,453	31	148,443	335	19,120,276
2009‡	153	10,324,455	113	7,688,328	25	125,512	291	18,138,295
2010‡	152	10,483,516	109	7,830,631	23	111,805	284	18,425,952
2011‡	151	10,993,501	112	8,119,879	23	105,685	286	19,219,065
2012‡	146	11,215,136	106	8,011,839	19	93,940	272	19,320,916
2013‡	144	11,365,441	114	8,214,718	17	81,359	275	19,661,518
2014‡	143	11,825,927	120	8,208,725	15	79,955	278	20,114,607
2015‡	142	12,342,152	123	8,360,705	16	76,133	281	20,778,990
2016‡	142	11,991,547	133	8,245,991	15	78,117	291	20,315,655
2017‡	142	11,927,253	133	8,410,652	14	77,787	289	20,415,692

Sources: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission; Spectator Year Book.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data; Data represent direct business for policies/certificates and net business for face amounts. Beginning in 1959, data include Alaska and Hawaii. 1994-97 data for individual amount and group certificates were revised. Individual and group categories include credit life insurance on loans of more than 10 years' duration; credit category is limited to life insurance on loans of 10 years' or less duration. Totals represent all life insurance (net of reinsurance) on residents of the United States, whether issued by U.S. or foreign companies.

*Fewer than 500,000.

‡Includes fraternal benefit societies.

¹Includes group credit certificates.

Credit and Total face amounts revised for 2016.

8 ANNUITIES

Annuities are financial contracts that pay a steady stream of income for either a fixed period of time or for the lifetime of the annuity owner (the annuitant). Most pension and retirement plan assets held by life insurers are annuity contracts. Because they can guarantee a stream of income for life, annuities protect annuity owners against the possibility of outliving their financial resources.

Annuities are sold as either immediate annuities or deferred annuities. Immediate annuities begin making annuity payments immediately, while deferred annuities defer the onset of annuity payments until some later date (typically when the annuity owner retires). During the deferral or accumulation phase, the annuity owner makes premium payments into the annuity and the savings inside the annuity grows to maximize the later annuity payments back to the annuity owner.

Codification of annual statements, effective for 2001 filings, changed the way certain lines of business are categorized and reported. This is particularly true of annuities and deposit-type contracts (e.g., guaranteed interest contracts or GICs). Prior to 2001, deposit-type funds were included with annuities; now they are reported separately. As a result, annuity data prior to 2001 is not comparable with 2001 or later data.

During 2017, payments into annuities, known as considerations, decreased 9.5 percent to \$314 billion (Table 8.1), while annuity reserves increased 6.6 percent to \$3.8 trillion (Table 8.2).

Annuities provide a variety of features designed to meet different needs. Depending on risk tolerance, an annuitant can choose a *fixed annuity*, which provides stable returns, or a *variable annuity* which is backed by equity investments for potentially greater, but uncertain, returns. A joint and survivor annuity ensures an income stream as long as either spouse is alive. Under some options, payouts will continue to a designated beneficiary after the annuitant's death.

GROUP AND INDIVIDUAL ANNUITIES

Contributions to group annuities, which are sold through employer-sponsored retirement plans, increased to \$130 billion in 2017, 4.5 percent higher than in 2016 (Table 8.1). Reserves for this type of annuity accounted for nearly one-third of all annuity reserves by the end of 2017 (30%), or \$1.1 trillion (Table 8.2). Benefit payments to group annuitants increased to \$29 billion, up 2.9 percent from 2016 (Table 8.3).

Employer-sponsored retirement plans are divided between two types that differ according to their benefits structure. *Defined benefit plans* provide a specified monthly benefit during retirement. The benefit amount is usually based on an employee's salary and length of service. The employer funds such plans and bears the entire investment risk.

Profit-sharing, 401(k), 403(b), and 457 plans are *defined contribution plans*. Rather than specifying benefits and retirement income, this type of plan specifies contributions, usually as a fixed amount or a percentage

of income, where the employee bears the investment risk. The benefit received under defined contribution plans is determined by contributions, investment returns, and expenses. Annuitization of the balance at retirement is not mandatory, and lump sums have been the most popular distribution method.

A person can also buy an annuity directly from a life insurer. During 2017, Americans deposited \$165 billion in individual annuities, down 18.5 percent from 2016 (Table 8.1). Individual annuity owners received \$53 billion in benefit payments (Table 8.3), leaving \$2.6 trillion in individual annuity reserves at year-end 2017 (Table 8.2)..

SUPPLEMENTARY CONTRACTS, ANNUITIES CERTAIN, AND OTHER ANNUITIES

A *supplementary contract* is an agreement between an insurer and a life insurance policyholder or beneficiary in which the beneficiary chooses to receive the policy's proceeds over a period of time instead of as a lump sum. If this period is the lifetime of the beneficiary, the contract is a supplementary contract with life contingencies, essentially a life annuity; if the payments continue for a specific period, the contract is called a supplementary contract without life contingencies, or an annuity certain.

During 2017, \$19 billion was deposited into supplementary contracts without life contingencies and annuities certain, 5.3 percent less than in 2016 (Table 8.1), and \$20 billion was paid to policyholders or beneficiaries (Table 8.3), leaving a total reserve of \$90 billion at the end of 2017 to back future claims (Table 8.2).

Table 8.1

Annuity Considerations	Millions			Average annual percentage change	
	2007	2016	2017	2007/2017	2016/2017
Individual annuities¹	\$192,503	\$202,312	\$164,790	-1.5	-18.5
Group annuities	121,722	124,484	130,070	0.7	4.5
Annuities certain and supplementary contracts without life contingencies	27,119	19,869	18,811	-3.6	-5.3
Total	341,344	346,664	313,671	-0.8	-9.5

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.

¹Includes supplementary contracts with life contingencies.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 8.2

Reserves for Annuity Contracts					
	Millions			Average annual percentage change	
	2007	2016	2017	2007/2017	2016/2017
Individual annuities¹	\$1,633,095	\$2,413,793	\$2,572,128	4.6	6.6
Group annuities	843,146	1,053,070	1,128,756	3.0	7.2
Annuities certain and supplementary contracts without life contingencies	72,249	89,981	89,849	2.2	-0.1
Total	2,548,490	3,556,845	3,790,733	4.1	6.6

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

¹Includes supplementary contracts with life contingencies.

Table 8.3

Annuity Benefit Payments					
	Millions			Average annual percentage change	
	2007	2016	2017	2007/2017	2016/2017
Individual annuities¹	\$42,897	\$50,833	\$52,543	2.0	3.4
Group annuities	29,435	28,287	29,106	-0.1	2.9
Annuities certain and supplementary contracts without life contingencies	29,569	19,573	20,317	-3.7	3.8
Total	101,902	98,692	101,966	0.0	3.3

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

¹Includes supplementary contracts with life contingencies.

Table 8.4

Annuity Considerations, by Year (millions)				
Year	Individual¹	Group²	Other³	Total
1977	\$4,552	\$10,422	NA	\$14,974
1978	4,454	11,885	NA	16,339
1979	4,976	12,963	NA	17,939
1980	6,296	16,133	NA	22,429
1981	10,290	17,289	NA	27,579
1982	15,196	19,448	NA	34,644
1983	14,003	16,541	NA	30,544
1984	15,706	27,153	NA	42,859
1985	20,891	33,008	NA	53,899
1986	26,117	57,595	NA	83,712
1987	33,764	54,913	NA	88,677
1988	43,784	59,494	NA	103,278
1989	49,407	65,590	NA	114,997
1990	53,665	75,399	NA	129,064
1991	51,671	71,919	NA	123,590
1992	61,348	71,297	NA	132,645
1993	76,987	79,458	NA	156,445
1994	80,832	73,017	NA	153,849
1995	77,370	82,565	NA	159,935
1996	84,067	92,228	NA	176,295
1997	90,192	107,355	NA	197,547
1998	95,446	134,047	NA	229,493
1999	115,621	154,591	NA	270,212
2000	143,071	163,622	NA	306,693
2001 ⁴	141,656	109,599	\$22,675	273,930
2002 ⁴	168,428	100,861	22,608	291,897
2003 ⁴	165,943	102,614	21,811	290,369
2004 ⁴	172,140	104,537	24,352	301,029
2005 ⁴	167,032	110,084	25,479	302,596
2006 ⁴	187,083	115,645	26,344	329,071
2007 ⁴	192,503	121,722	27,119	341,344
2008 ⁴	208,965	119,169	26,842	354,976
2009 ⁴	128,853	102,727	24,053	255,633
2010 ⁴	189,946	103,677	27,372	320,995
2011 ⁴	217,837	117,058	24,247	359,142
2012 ⁴	189,258	158,837	21,340	369,435
2013 ⁴	179,578	108,091	19,591	307,260
2014 ⁴	247,426	114,160	20,057	381,642
2015 ⁴	208,913	124,103	19,347	352,363
2016 ⁴	202,312	124,484	19,869	346,664
2017 ⁴	164,790	130,070	18,811	313,671

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.

NA: Not available

¹Beginning in 2001, includes supplementary contracts with life contingencies.

²Beginning in 1986, data reflect a change in statutory reporting methods mandated by the National Association of Insurance Commissioners.

³Includes supplementary contracts without life contingencies, annuities certain, lottery payouts, structured settlements, and income payment options.

⁴Codification effective with 2001 Annual Statement filings changed the way certain lines of business are categorized and reported, particularly deposit-type contracts. Since most guaranteed interest contracts (GICs) and other deposit-type funds are under group contracts, this accounting change has had a substantial effect on group annuities.

Premiums are net of reinsurance business and fluctuate with reinsurance activities as well as sale changes. Please see Chapter 6 for reinsurance business.

Table 8.5

Annuity Reserves, by Year

Year	Reserves (millions)	Year	Reserves (millions)
1960	\$18,850	1997	\$1,454,962
1965	27,350	1998	1,608,494
1970	41,175	1999	1,780,699
1975	72,210	2000	1,819,680
1980	166,850	2001 ¹	1,585,008
1981	193,210	2002 ¹	1,619,075
1982	233,790	2003 ¹	1,899,994
1983	269,425	2004 ¹	2,105,882
1984	313,215	2005 ¹	2,258,240
1985	373,475	2006 ¹	2,415,158
1986	441,390	2007 ¹	2,548,490
1987	495,420	2008 ¹	2,223,441
1988	562,155	2009 ¹	2,512,334
1989	624,290	2010 ¹	2,739,686
1990	695,700	2011 ¹	2,810,717
1991	745,950	2012 ¹	3,003,685
1992	768,215	2013 ¹	3,271,345
1993	825,375	2014 ¹	3,385,586
1994	878,460	2015 ¹	3,407,220
1995	972,560	2016 ¹	3,556,845
1996	1,312,494	2017 ¹	3,790,733

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.

¹Codification effective with 2001 Annual Statement filings changed the way certain lines of business are categorized and reported, particularly deposit-type contracts. Since most guaranteed interest contracts (GICs) and other deposit-type funds are under group contracts, this accounting change has had a substantial effect on group annuities.

9 **DISABILITY INCOME AND LONG-TERM CARE INSURANCE**

Disability income insurance and long-term care insurance provide important financial protection for American families. Disability income insurance serves as paycheck protection for workers by replacing a portion of earnings if an insured employee is unable to work due to accident or illness. Long-term care insurance protects retirement savings and alleviates financial hardships that might otherwise impoverish a family paying for long-term care needs.

DISABILITY INCOME INSURANCE

Prolonged unemployment due to disability can jeopardize a worker's lifestyle and savings for retirement. The risk of becoming disabled is significant: According to the US Census Bureau, nearly seventeen percent of working-age Americans reported a disability in 2010. Of those with a disability, 19.6 percent were employed compared to the 66 percent of working-age Americans with no disability in 2017.

Disability income policies commonly provide 50 to 70 percent of an insured's pre-disability income while an insured employee is unable to work due to accident or illness. In addition to choices in benefits and elimination periods, some policies provide comprehensive protection while others define disability more narrowly, covering only accidental injury or illness. Policies may also include coverage for partial disability, residual benefits, cost-of-living adjustments, survivor benefits, and pension supplements. Many also include benefits to help people return to work following a disability.

Often insurers will reduce benefits if an employee is receiving disability payments from other sources. Workers compensation pays cash benefits to workers disabled by an on-the-job accident or illness. Because workers compensation is a state-administered program, rules governing payment, benefit levels, and length of coverage vary considerably from state to state. Workers whose illness or injury is not caused on the job may be eligible for paid sick leave or state-mandated short-term disability benefits. The federal disability insurance program under the Social Security Administration, known as SSDI, provides cash assistance to people with long-term disabilities who are unable to work. SSDI's modest income support is limited to those who meet a very strict test of work disability.

Both individual and group disability income insurance pay benefits as an indemnity—usually weekly or monthly. Disability income insurance may be offered by employers, purchased individually, or used to protect a business. Employers may offer insurance for either short- or long-term disabilities, or provide comprehensive disability protection. Some policies reimburse businesses for expenses associated with disability. Each of these types of policies is described below.

Individual Disability Income Insurance

Individual disability income policies are sold to the self-employed, professionals, and to a market of diverse needs. Some people prefer individual coverage rather than group coverage because the former is portable. Workers, whose employers provide only basic coverage, may buy additional disability insurance through an

individual policy. Companies also purchase disability income insurance to protect or dispose of the business if a key employee or the owner becomes disabled.

Personal Coverage

Most people buy individual disability income insurance to protect against long-term disability. Individual policies typically cover both occupational and non-occupational accidents and sickness for a selected term. Individual long-term disability benefits are not subject to income tax if the policyholder pays the premiums in full. Since benefits are designed to replace earned income, most people do not purchase coverage beyond their working years.

Disability income insurance for individuals is offered primarily in two forms. Non-cancellable policies give policyholders the right to continue coverage as long as premiums are paid on time. The insurer cannot change the premiums or benefits prior to an age stated in the policy, usually 65. Insurers also offer guaranteed renewable policies that can be automatically renewed with the same benefits. The premium for this type of policy may be increased only if it is changed for the entire class of policyholders.

Business Coverage

A small proportion of individual disability income policies is bought by business owners.

Key-person disability insurance replaces income lost when an essential employee or owner is unable to work. Some policies pay benefits directly to the insured as salary continuation, while others pay benefits to the business to protect the company from sudden loss of income, credit, or profits. Another form of protection is disability buy-sell insurance, which pays benefits to the business to enable owners to purchase interest in the company from a disabled partner or owner.

Businesses frequently obtain a disability income policy to cover business overhead expenses, including wages, in case the owner becomes disabled. A business also

can purchase reducing term disability insurance to help cover loan repayments, purchase agreements, or salary contracts if the owner or key employee becomes disabled. This type of insurance is in effect for the length of the loan or other commitment, and coverage is reduced as the amount due is paid off.

Group Disability Income Insurance

Many disability income policies are offered as part of an employee group benefit package. Employers purchase disability coverage from an insurance company or self-insure the benefits. According to the U.S. Bureau of Labor Statistics, 38 percent of all workers in private industry were participating in short-term disability income insurance in 2017; 33 percent were participating in long-term disability income insurance.

Short-Term Coverage

Short-term coverage helps protect against loss of income for employees unable to work because of a temporary illness or injury. Such sickness and accident plans replace a portion of earnings for a fixed period of time. Benefits commonly last 24 weeks, although coverage can range from 13 to 104 weeks. Short-term disability income insurance also can offer protection during the waiting period before a worker becomes eligible for SSDI or long-term disability coverage.

Disability income insurance pays short-term benefits as either a percentage of employee earnings or a flat dollar amount. The most common plans pay a percentage of earnings, typically replacing from one-half to two-thirds of pre-disability income. A majority of these plans places a dollar limit on the weekly or monthly benefit. Benefits also can vary depending on length of service and other factors. Most short-term coverage requires a waiting period, usually one to seven days, before benefits begin.

Long-Term Coverage

Long-term disability income plans cover both occupational and non-occupational sickness and accidents. Benefits typically start when short-term benefits are exhausted after a waiting period of three to six months following the onset of disability. These policies generally provide benefits for persons up to age 65 or Social Security retirement age. In certain cases, long-term coverage may provide benefits for life.

Almost all group long-term disability plans coordinate with Social Security and typically require claimants to apply for SSDI benefits. Disability insurers frequently offset benefits payable under private insurance dollar-for-dollar with SSDI payments. Benefits also are subject to income tax if the employer pays the premiums; they are not taxable if the employee pays the premiums.

LONG-TERM CARE INSURANCE

Long-term care insurance pays for services to help policyholders who are unable to perform certain activities of daily living without assistance—such as bathing, eating, dressing, using the toilet, and transferring from bed to chair. This insurance also pays benefits when the insured person requires supervision due to a cognitive impairment such as Alzheimer’s disease.

Since the likelihood of chronic illness or disability increases with age, long-term care insurance traditionally has been sold to older Americans. However, the younger the purchaser, the lower the premiums, and within the last 10 years, group insurance plans have begun covering working-age people. In 2017, life insurers collected \$11.5 billion in long-term care insurance premiums (Table 9.1).

The market for private long-term care insurance is closely linked to federal and state government policy. Public funding for long-term care comes from two main sources. Medicaid—a joint federal-state program that targets low income people—is the primary government funding source for long-term care. To qualify, beneficiaries must

deplete most of their assets and meet a strict income test. Medicare primarily pays for medically related recovery and rehabilitation services at home or in a nursing home.

There are two basic types of long-term care insurance: individual insurance and group. The latter is employer-sponsored or offered through an association. These products are considered long-term if the benefit is one year or longer. Long-term care protection also is available through life insurance policies that accelerate the death benefits for individuals with chronic conditions.

Long-term care insurance has evolved in response to changes in the long-term care delivery system and consumer preferences. When first sold in 1972, policies covered only skilled care in a nursing home after a period of hospitalization. Since the mid-1980s, consumers have demanded greater choice and more help in maintaining their quality of life. Insurers now offer policies covering services that promote independent living including personal care, assisted living, care management, support for family caregivers, home modifications, homemaker services, and hospice, in addition to institutional care.

Coverage for long-term care also varies by how benefits are paid. Traditional indemnity policies offer a fixed daily payment to eligible beneficiaries, usually in a nursing home. Other policies reimburse the insured for expenses, up to the policy’s daily maximum—for example, \$150 per day for nursing home care or \$100 per day for home care. Most reimbursement policies now pool benefit dollars under more flexible spending limits, so that a beneficiary can receive payment for either nursing-home care or home- and community-based care. A third payment method uses a disability model, providing a cash benefit when eligibility requirements are met, regardless of whether the insured actually uses any long-term care services.

Individual Long-Term Care Coverage

Individual long-term care insurance can be tailored to meet financial and lifestyle goals. The policyholder selects the length of benefit term (one to five years or a lifetime) and other options such as the amount of maximum daily benefit, length of elimination period, level of care, inflation protection, and nonforfeiture benefits.

Most individual long-term care insurance is offered as a guaranteed renewable policy—renewable with the same benefits as long as premiums are paid on time. Premiums cannot be increased unless they are changed for the entire class of policyholders. Since long-term care policies do not build cash value, buying a nonforfeiture benefit or selecting a policy with contingent nonforfeiture protection allows the insured to receive benefits upon surrendering the policy. Some policies offer riders that return premiums upon the death of the insured.

Group Long-Term Care Coverage

Businesses, some state governments, unions, and fraternal and other associations such as AARP sponsor group long-term care insurance. Groups can either purchase long-term care coverage from an insurance company or self-insure. Under self-insured plans, the members of the group, usually employees, assume all risks and expenses of providing long-term care coverage. Most employers offering this benefit purchase group insurance coverage.

Group long-term care insurance typically is offered as a voluntary benefit for which the employee pays some or all of the premium. Long-term care insurance purchased through the workplace also is portable: Employees can retain coverage in retirement or if they change employers by paying the entire premium directly to the insurer.

According to the U.S. Bureau of Labor Statistics, 15 percent of all workers in private industry had access to long-term care insurance at work in 2017.

ACCELERATED AND SUPPLEMENTAL BENEFITS

To help pay long-term care costs, certain life insurance policies allow the policyholder to access benefits prior to death. Circumstances that can trigger these accelerated benefits include diagnosis of a terminal illness or a medical condition that would drastically shorten the policyholder's life span, the need for long-term care, or permanent confinement in a nursing home. Accelerated benefit provisions may be integrated in the policy or more typically attached as a rider.

Supplemental benefits products are insurance policies that provide financial protection against expenses associated with accidents or illnesses not covered by major medical insurance. These products, provided through employers or offered on an individual basis, are key to the financial security of many families across the nation. Table 9.1 highlights some of the selected supplemental benefits (accident/AD&D, dental) that life insurers provide. Along with life insurers, other health insurers provide supplemental benefits, which also includes critical illness or specified disease, hospital indemnity, stop-loss, vision, and wellness, to policy holders as well.

Table 9.1

Selected Accident and Health Products of Life Insurers

	Millions			Average annual percent change	
	2007	2016	2017	2007/2017	2016/2017
Premiums					
Disability Income	\$19,148	\$24,772	\$25,641	3.0	3.5
Individual	6,146	7,106	7,206	1.6	1.4
Group	13,001	17,666	18,435	3.6	4.4
Long-Term Care	9,381	11,399	11,457	2.0	0.5
Individual	7,837	9,252	9,270	1.7	0.2
Group	1,544	2,147	2,188	3.5	1.9
Dental	7,821	13,058	13,959	6.0	6.9
Individual	308	774	849	10.7	9.6
Group	7,514	12,284	13,110	5.7	6.7
Accident/AD&D	4,945	6,086	6,272	2.4	3.1
Individual	2,138	2,576	2,633	2.1	2.2
Group	2,807	3,511	3,639	2.6	3.7
Incurred Claims					
Disability Income	\$15,699	\$19,092	\$19,050	2.0	-0.2
Individual	5,302	5,144	4,981	-0.6	-3.2
Group	10,397	13,948	14,070	3.1	0.9
Long-Term Care	4,886	11,198	10,982	8.4	-1.9
Individual	4,004	9,870	9,719	9.3	-1.5
Group	882	1,328	1,263	3.7	-4.9
Dental	5,760	9,744	10,233	5.9	5.0
Individual	134	403	451	12.9	12.1
Group	5,627	9,341	9,781	5.7	4.7
Accident/AD&D	2,006	2,411	2,552	2.4	5.9
Individual	832	937	979	1.6	4.5
Group	1,174	1,473	1,572	3.0	6.7

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.

10 **IN THE STATES**

The life insurance industry is integral to the economies of all 50 states and the District of Columbia. In 2017, 767 life insurers were domiciled in the United States, and another 14 were domiciled in U.S. territories (Table 10.1). The companies' investments contribute to state economies as Americans and their families achieve financial security through life insurance products.

Billions of dollars of life insurance coverage is purchased in each state every year, ranging from \$452 billion in California to \$5 billion in Wyoming in 2017 (Table 10.2). Total life insurance in force ranged from \$3.8 trillion in California to \$51 billion in Wyoming (Table 10.3).

Payments from life insurers are a mainstay of financial security for residents in every state. Death payments under life insurance policies were greatest in California (\$9.6 billion) and Texas (\$7.1 billion) during 2017 (Table 10.4). Life insurance beneficiaries in 14 other states received payments totaling over \$2 billion, and 13 states had death payments between \$1 billion and \$2 billion. Table 10.5 breaks down death payments among individual, group, and credit policies.

Annuity payments are another source of financial security provided by life insurers nationwide. In 2017, payments from annuities totaled \$8.1 billion in California followed by \$6.4 billion in New York (Table 10.4). Residents of 23 other states received annuity payments totaling more than \$1 billion.

Table 10.6 reports the distribution of premium receipts by state in 2017 across the various product lines offered by life insurers—life insurance, annuities, accident and health insurance (including disability income and long-term care insurance), and deposit-type funds. The greatest premium amounts for life insurance, accident and health insurance, and annuities were collected in California (\$63 billion) and Texas (\$48 billion).

Life insurers are a significant source of investment capital in each state, particularly through real estate loans. U.S. life insurers held \$491 billion in domestic mortgages in 2017. Mortgage holdings ranged from \$134 million in Vermont to \$102 billion in California (Table 10.7). Life insurers also directly own real estate across the country—\$42.5 billion worth in 2017 (Table 10.8). California and Massachusetts had the most real estate owned by life insurers, with \$10.7 billion and \$3.1 billion, respectively.

Table 10.1

Life Insurers, by State of Domicile, 2017

Alabama	8	Nebraska	29
Alaska	-	Nevada	-
Arizona	21	New Hampshire	1
Arkansas	21	New Jersey	5
California	11	New Mexico	1
Colorado	9	New York	86
Connecticut	22	North Carolina	6
Delaware	26	North Dakota	3
District of Columbia	-	Ohio	39
Florida	9	Oklahoma	21
Georgia	12	Oregon	2
Hawaii	3	Pennsylvania	31
Idaho	1	Rhode Island	1
Illinois	50	South Carolina	8
Indiana	24	South Dakota	2
Iowa	32	Tennessee	11
Kansas	11	Texas	102
Kentucky	7	Utah	12
Louisiana	28	Vermont	1
Maine	2	Virginia	3
Maryland	3	Washington	6
Massachusetts	14	West Virginia	-
Michigan	18	Wisconsin	22
Minnesota	9	Wyoming	-
Mississippi	10	Total U.S.	767
Missouri	23		
Montana	1	Guam	1
		Puerto Rico	12
		Virgin Islands	1
		Aggregate total	781

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.

Table 10.2

Life Insurance Purchases, by State, 2017 (face amount in millions)

	Individual	Group	Credit	Total
Alabama	\$23,288	\$11,708	\$1,272	\$36,269
Alaska	3,675	2,915	7	6,597
Arizona	28,718	17,977	261	46,955
Arkansas	11,736	6,418	175	18,328
California	221,647	230,010	719	452,376
Colorado	35,369	22,075	175	57,619
Connecticut	24,558	17,396	165	42,119
Delaware	7,197	6,554	46	13,798
District of Columbia	4,974	4,942	36	9,952
Florida	103,137	50,590	2,977	156,704
Georgia	56,275	37,275	3,325	96,874
Hawaii	7,155	2,729	219	10,103
Idaho	7,614	4,362	230	12,206
Illinois	72,712	47,466	1,257	121,435
Indiana	26,646	21,128	876	48,650
Iowa	17,226	12,396	453	30,075
Kansas	14,936	8,229	417	23,581
Kentucky	15,670	13,002	1,258	29,931
Louisiana	27,042	18,451	1,831	47,324
Maine	3,744	2,768	455	6,967
Maryland	33,081	22,385	541	56,008
Massachusetts	40,048	28,940	149	69,138
Michigan	39,344	37,790	1,382	78,516
Minnesota	33,621	26,778	404	60,804
Mississippi	14,647	6,185	1,162	21,993
Missouri	28,850	33,391	692	62,933
Montana	4,547	2,694	70	7,310
Nebraska	12,775	6,175	132	19,083
Nevada	14,036	9,474	52	23,563
New Hampshire	5,661	4,824	418	10,903
New Jersey	67,961	48,767	247	116,975
New Mexico	5,740	3,505	411	9,656
New York	135,596	91,331	2,741	229,669
North Carolina	46,335	40,743	2,659	89,737
North Dakota	5,176	2,245	225	7,646
Ohio	45,672	43,061	1,364	90,097
Oklahoma	15,586	15,590	656	31,832
Oregon	15,161	12,360	261	27,782
Pennsylvania	57,995	44,736	1,346	104,076
Rhode Island	4,129	4,105	15	8,250
South Carolina	22,909	12,784	2,564	38,257
South Dakota	6,933	2,870	121	9,924
Tennessee	34,458	27,475	1,814	63,748
Texas	140,237	109,889	7,654	257,779
Utah	20,457	10,398	424	31,279
Vermont	6,225	2,949	99	9,274
Virginia	36,362	36,597	885	73,844
Washington	31,563	63,231	220	95,014
West Virginia	4,109	4,420	264	8,793
Wisconsin	28,176	20,671	796	49,642
Wyoming	2,999	2,029	72	5,100
Total U.S.	1,673,706	1,316,787	45,995	3,036,488
Other ¹	20,967	13,172	2,984	37,122
Aggregate total	1,694,673	1,329,959	48,978	3,073,610

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 direct business of U.S. life insurers and fraternal benefit societies.

¹Includes Puerto Rico, American Samoa, Guam, U.S. Virgin Islands, Canada, N. Mariana Islands and other aggregates.

Table 10.3

Life Insurance in Force, by State, 2017

	Thousands of policies/Millions of dollars						Total Face amount
	Individual Policies	Individual Face amount	Group ¹ Face amount	Credit Policies ²	Credit Face amount		
Alabama	4,959	\$274,651	\$146,429	288	\$1,172	\$422,251	
Alaska	171	41,166	23,526	6	39	64,730	
Arizona	1,768	333,459	201,506	58	793	535,757	
Arkansas	1,533	130,033	74,376	64	335	204,743	
California	10,098	2,521,999	1,291,954	225	1,163	3,815,116	
Colorado	1,875	398,197	214,224	56	326	612,747	
Connecticut	1,440	367,717	186,448	65	586	554,750	
Delaware	463	94,616	115,677	15	80	210,373	
District of Columbia	260	49,722	136,827	11	71	186,619	
Florida	7,179	1,164,701	614,769	517	3,044	1,782,515	
Georgia	5,072	645,989	407,751	783	2,502	1,056,242	
Hawaii	575	94,903	41,008	54	372	136,283	
Idaho	502	90,331	51,537	69	408	142,276	
Illinois	6,288	935,134	555,510	338	1,836	1,492,480	
Indiana	3,090	336,377	210,352	247	1,116	547,845	
Iowa	1,799	237,570	106,828	87	783	345,181	
Kansas	1,435	192,201	96,739	103	736	289,676	
Kentucky	2,130	190,557	138,139	348	1,342	330,039	
Louisiana	3,848	276,565	149,401	540	2,649	428,615	
Maine	449	59,724	44,114	51	399	104,237	
Maryland	3,666	424,077	276,249	257	1,157	701,482	
Massachusetts	2,450	574,954	340,612	43	218	915,785	
Michigan	3,826	508,832	368,954	388	2,653	880,439	
Minnesota	2,625	469,421	240,635	87	685	710,741	
Mississippi	1,966	147,983	75,601	346	1,447	225,031	
Missouri	2,955	352,308	237,326	191	1,139	590,772	
Montana	355	53,710	23,655	20	122	77,487	

Continued

Table 10.3

Life Insurance in Force, by State, 2017—continued

	Thousands of policies/Millions of dollars					
	Individual Policies	Individual Face amount	Group ¹ Face amount	Credit Policies ²	Credit Face amount	Total Face amount
Nebraska	1,049	153,327	80,807	39	247	234,381
Nevada	736	143,175	64,052	25	95	207,322
New Hampshire	504	89,676	47,848	82	790	138,314
New Jersey	3,703	879,774	551,202	56	486	1,431,462
New Mexico	622	72,115	78,825	95	804	151,744
New York	7,647	1,647,124	739,266	598	4,465	2,390,855
North Carolina	5,391	603,195	446,848	526	2,572	1,052,615
North Dakota	395	56,967	23,984	40	472	81,423
Ohio	5,568	621,793	436,513	273	1,913	1,060,218
Oklahoma	1,417	174,741	117,213	111	893	292,848
Oregon	1,054	198,484	121,299	100	391	320,174
Pennsylvania	6,531	811,971	526,937	315	2,325	1,341,234
Rhode Island	374	68,581	39,409	7	53	108,043
South Carolina	3,001	257,535	154,846	655	1,814	414,195
South Dakota	498	85,622	26,854	30	224	112,700
Tennessee	3,447	392,788	272,210	358	2,084	667,082
Texas	10,550	1,496,571	983,488	1,373	12,820	2,492,879
Utah	813	211,883	102,608	169	736	315,226
Vermont	253	35,508	18,701	20	152	54,360
Virginia	3,844	531,562	432,365	227	1,496	965,424
Washington	1,828	391,653	277,028	64	318	668,999
West Virginia	880	57,360	54,897	48	350	112,607
Wisconsin	2,942	378,246	202,750	162	947	581,943
Wyoming	220	34,581	16,292	10	117	50,990
Total U.S.	136,043	20,361,128	12,186,385	10,642	63,738	32,611,251
Other ³	5,704	291,589	113,999	3,809	13,150	418,739
Aggregate total	141,747	20,652,717	12,300,384	14,450	76,889	33,029,990

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 category is limited to life insurance on loans of 10 years or less duration. Ordinary and group categories include credit life insurance on loans of more than 10 years duration. Data represent direct business of U.S. life insurers and fraternal benefit societies.

¹Omits policies due to double counting.

²Includes group credit certificates.

³Includes Puerto Rico, American Samoa, Guam, U.S. Virgin Islands, Canada, N. Mariana Islands and other aggregates.

Table 10.4

Life Insurance and Annuity Benefit Payments, by State, 2017 (thousands)

	Policy and contract dividends	Death payments	Annuity payments¹	Surrender values	Other payments²	Total
Alabama	\$195,900	\$1,660,936	\$791,735	\$3,410,037	\$19,770	\$6,078,378
Alaska	27,993	176,800	106,429	766,630	1,744	1,079,596
Arizona	275,130	1,650,802	1,774,942	6,291,758	25,530	10,018,161
Arkansas	113,314	778,746	495,214	1,736,317	8,382	3,131,973
California	1,561,031	9,607,291	8,132,313	32,045,651	125,339	51,471,625
Colorado	319,325	1,467,485	1,241,418	5,415,600	20,945	8,464,773
Connecticut	396,974	1,560,155	2,645,365	17,013,795	18,104	21,634,393
Delaware	66,910	697,950	917,535	7,029,718	17,568	8,729,681
District of Columbia	54,777	285,480	285,049	1,330,257	186,379	2,141,942
Florida	1,098,685	6,822,820	5,618,600	21,889,662	99,378	35,529,146
Georgia	507,528	3,370,754	1,500,767	8,429,440	36,790	13,845,278
Hawaii	91,382	385,283	377,391	1,660,164	8,394	2,522,614
Idaho	79,361	483,132	357,998	1,179,576	7,132	2,107,199
Illinois	994,800	4,426,099	3,734,520	13,345,955	-16,362	22,485,012
Indiana	399,666	1,947,305	1,654,214	5,985,631	281,938	10,268,753
Iowa	335,437	1,283,639	1,191,068	5,252,037	22,910	8,085,092
Kansas	195,182	998,092	699,164	2,917,454	12,393	4,822,285
Kentucky	193,029	1,212,654	848,351	3,823,248	38,953	6,116,233
Louisiana	219,349	1,520,952	884,442	3,936,811	20,145	6,581,699
Maine	92,525	383,993	362,674	1,292,346	7,896	2,139,434
Maryland	398,176	2,201,747	1,623,687	5,910,578	27,904	10,162,091
Massachusetts	663,502	2,307,013	2,885,141	10,733,706	30,701	16,620,062
Michigan	594,995	3,510,570	3,660,986	11,070,780	42,527	18,879,858
Minnesota	425,448	4,375,754	1,488,157	7,404,548	26,371	13,720,278
Mississippi	93,394	951,816	403,574	1,657,332	11,231	3,117,347
Missouri	345,551	1,969,733	1,917,420	7,254,762	31,316	11,518,782
Montana	63,089	267,296	236,105	682,848	4,012	1,253,350

Continued

Table 10.4

Life Insurance and Annuity Benefit Payments, by State, 2017 (thousands)—continued

	Policy and contract dividends	Death payments	Annuity payments¹	Surrender values	Other payments²	Total
Nebraska	151,498	702,988	844,632	2,138,389	9,175	3,846,682
Nevada	101,429	654,359	547,905	1,788,817	8,927	3,101,437
New Hampshire	119,567	438,349	460,262	1,791,798	8,334	2,818,310
New Jersey	828,264	3,620,221	3,090,822	13,864,213	67,722	21,471,243
New Mexico	85,427	522,492	768,553	1,203,377	13,250	2,593,099
New York	2,101,879	6,765,439	6,387,393	27,007,546	142,827	42,405,084
North Carolina	629,578	3,617,364	2,067,696	10,786,382	42,890	17,143,910
North Dakota	54,956	259,916	194,059	796,817	3,903	1,309,650
Ohio	652,137	3,878,463	3,479,128	12,849,508	65,726	20,924,962
Oklahoma	159,063	1,138,523	696,538	3,839,139	11,324	5,844,587
Oregon	176,568	923,877	1,304,360	3,236,792	13,288	5,654,885
Pennsylvania	1,045,895	4,599,355	4,542,115	16,010,471	97,293	26,295,129
Rhode Island	80,553	397,712	347,000	1,188,491	7,905	2,021,661
South Carolina	238,052	1,675,222	960,575	3,936,953	23,017	6,833,820
South Dakota	72,071	330,711	213,172	932,471	4,400	1,552,824
Tennessee	296,450	2,433,510	1,299,899	5,741,731	25,198	9,796,788
Texas	939,793	7,129,465	5,530,056	18,510,816	64,492	32,174,622
Utah	128,620	903,254	571,996	2,327,661	5,842	3,937,373
Vermont	65,864	176,589	200,223	689,991	3,707	1,136,373
Virginia	522,331	2,976,755	1,768,845	7,254,480	33,061	12,555,473
Washington	340,743	1,692,199	1,998,745	5,449,490	26,746	9,507,922
West Virginia	105,184	510,093	442,628	1,215,216	11,503	2,284,624
Wisconsin	544,891	1,929,383	1,873,041	7,256,190	36,175	11,639,679
Wyoming	34,675	166,053	120,260	572,237	1,780	895,005
Total U.S.	19,277,936	103,746,592	85,544,164	339,855,611	1,845,877	550,270,181
Other ³	203,032	1,326,322	591,939	4,415,995	161,668	6,698,956
Aggregate total	19,480,969	105,072,914	86,136,103	344,271,606	2,007,545	556,969,136

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 direct business of U.S. life insurers and fraternal benefit societies.

¹Excludes payments from deposit-type contracts due to codification.

²Includes matured endowments, disability payments, and payments on guaranteed interest contracts (GICs).

³Includes Puerto Rico, American Samoa, Guam, U.S. Virgin Islands, Canada, N. Mariana Islands and other aggregates.

Table 10.5

Payments to Life Insurance Beneficiaries, by State, 2017 (thousands)

	Individual	Group	Credit	Total
Alabama	\$1,130,438	\$523,267	\$7,232	\$1,660,936
Alaska	119,142	57,410	248	176,800
Arizona	1,167,833	481,639	1,330	1,650,802
Arkansas	527,463	248,790	2,492	778,746
California	7,250,611	2,352,651	4,030	9,607,291
Colorado	1,027,734	438,125	1,626	1,467,485
Connecticut	1,163,456	394,976	1,724	1,560,155
Delaware	473,918	223,590	442	697,950
District of Columbia	147,300	137,979	202	285,480
Florida	5,156,341	1,648,554	17,926	6,822,820
Georgia	2,348,986	1,006,708	15,060	3,370,754
Hawaii	284,484	99,586	1,213	385,283
Idaho	358,661	122,470	2,001	483,132
Illinois	3,194,358	1,222,796	8,944	4,426,099
Indiana	1,259,610	679,501	8,193	1,947,305
Iowa	1,006,963	273,782	2,894	1,283,639
Kansas	736,916	256,940	4,236	998,092
Kentucky	799,631	404,456	8,567	1,212,65
Louisiana	1,092,734	416,869	11,350	1,520,952
Maine	225,457	156,448	2,087	383,993
Maryland	1,477,784	720,082	3,881	2,201,747
Massachusetts	1,646,545	659,798	670	2,307,013
Michigan	2,341,887	1,154,280	14,403	3,510,570
Minnesota	3,907,727	464,086	3,941	4,375,754
Mississippi	673,761	268,679	9,376	951,816
Missouri	1,368,435	592,800	8,498	1,969,733
Montana	198,036	68,691	569	267,296

Continued

Table 10.5

Payments to Life Insurance Beneficiaries, by State, 2017 (thousands)—continued

	Individual	Group	Credit	Total
Nebraska	537,979	162,892	2,117	702,988
Nevada	451,568	202,311	479	654,359
New Hampshire	311,763	124,507	2,079	438,349
New Jersey	2,448,055	1,170,581	1,586	3,620,221
New Mexico	350,705	168,907	2,880	522,492
New York	5,215,084	1,534,843	15,512	6,765,439
North Carolina	2,661,628	940,488	15,248	3,617,364
North Dakota	206,366	51,668	1,881	259,916
Ohio	2,769,762	1,099,997	8,705	3,878,463
Oklahoma	782,086	352,654	3,784	1,138,523
Oregon	697,679	223,962	2,236	923,877
Pennsylvania	3,350,593	1,232,168	16,594	4,599,355
Rhode Island	295,048	102,543	121	397,712
South Carolina	1,164,459	498,933	11,831	1,675,222
South Dakota	259,645	70,126	940	330,711
Tennessee	1,662,884	757,718	12,908	2,433,510
Texas	4,721,242	2,375,536	32,687	7,129,465
Utah	658,494	241,541	3,220	903,254
Vermont	126,593	48,901	1,095	176,589
Virginia	1,858,808	1,109,403	8,544	2,976,755
Washington	1,147,838	542,550	1,811	1,692,199
West Virginia	316,085	191,910	2,098	510,093
Wisconsin	1,448,664	476,699	4,020	1,929,383
Wyoming	119,049	46,738	266	166,053
Total U.S.	74,648,285	28,802,530	295,778	103,746,592
Other ¹	1,155,578	136,145	34,600	1,326,322
Aggregate total	75,803,862	28,938,674	330,377	105,072,914

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 direct business of U.S. life insurers and fraternal benefit societies.

¹Includes Puerto Rico, American Samoa, Guam, U.S. Virgin Islands, Canada, N. Mariana Islands and other aggregates.

Table 10.6

Direct Premium Receipts of Life Insurers, by State, 2017 (millions)

	Life	Annuity	Accident and Health			Deposit-type fund ¹	Total
			Disability Income	Long-Term Care	Other Health		
Alabama	\$2,243	\$3,226	\$345	\$107	\$1,275	\$327	\$7,524
Alaska	433	670	52	12	273	26	1,466
Arizona	2,439	6,185	378	181	3,291	351	12,824
Arkansas	1,141	1,738	194	56	743	86	3,957
California	17,667	31,274	2,361	904	11,129	2,420	65,754
Colorado	2,744	6,080	443	225	3,116	1,079	13,688
Connecticut	2,627	6,519	427	217	2,141	9,985	21,916
Delaware	1,411	3,649	116	32	589	61,913	67,710
District of Columbia	434	1,230	156	34	639	1,275	3,768
Florida	10,019	21,194	1,458	652	11,609	1,490	46,422
Georgia	5,200	8,183	956	244	6,452	1,493	22,528
Hawaii	797	1,674	134	91	1,104	70	3,871
Idaho	592	1,202	93	41	593	68	2,589
Illinois	7,025	12,849	992	442	4,769	1,864	27,942
Indiana	2,905	6,084	433	170	3,705	3,140	16,436
Iowa	1,892	5,334	240	201	1,003	13,863	22,533
Kansas	1,432	2,590	191	130	3,088	2,762	10,192
Kentucky	1,633	3,448	329	108	1,266	240	7,026
Louisiana	2,392	3,767	385	87	1,583	310	8,525
Maine	448	1,282	112	56	680	64	2,643
Maryland	3,106	6,023	573	240	2,820	672	13,433
Massachusetts	3,851	10,256	823	300	2,293	614	18,136
Michigan	4,774	11,845	698	238	2,548	1,098	21,202
Minnesota	5,149	6,914	558	286	831	877	14,615
Mississippi	1,279	1,603	196	62	1,223	145	4,509
Missouri	2,867	6,905	430	219	3,625	703	14,750
Montana	397	658	52	40	289	51	1,487
Nebraska	1,146	1,991	156	137	1,157	378	4,965
Nevada	1,216	1,798	179	49	984	177	4,404
New Hampshire	651	1,985	124	58	496	222	3,536
New Jersey	6,772	12,463	899	385	5,611	1,446	27,577
New Mexico	691	1,348	94	46	968	86	3,234
New York	12,814	25,663	2,031	806	6,869	31,677	79,861
North Carolina	5,585	9,965	795	337	4,612	907	22,200
North Dakota	496	792	64	55	195	71	1,672
Ohio	5,246	13,373	831	334	6,342	7,470	33,595
Oklahoma	1,448	2,381	221	80	1,404	297	5,831
Oregon	1,286	3,257	325	129	1,485	203	6,685
Pennsylvania	6,737	15,764	1,160	427	5,561	2,390	32,038
Rhode Island	456	1,384	73	37	370	72	2,392
South Carolina	2,320	4,156	355	170	3,125	220	10,345
South Dakota	1,207	728	59	66	277	237	2,574
Tennessee	3,218	5,590	633	201	2,643	896	13,181
Texas	12,156	18,760	1,786	614	15,006	3,334	51,657
Utah	1,491	2,462	186	38	1,100	319	5,597
Vermont	262	800	62	25	284	107	1,540
Virginia	4,619	7,395	692	361	3,493	765	17,325
Washington	2,662	6,057	620	273	2,679	413	12,705
West Virginia	659	1,224	105	31	626	95	2,740
Wisconsin	2,967	6,531	483	231	2,880	599	13,692
Wyoming	285	426	33	19	302	27	1,092
Total U.S.	163,288	318,679	25,095	10,283	141,143	159,396	817,885
Other ²	5,289	1,201	837	13	12,053	177	19,570
Aggregate total	168,577	319,880	25,932	10,296	153,197	159,573	837,455

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. Data represent direct business of U.S. life insurers and fraternal benefit societies.

¹Includes guaranteed interest contracts, supplemental contracts and annuities certain, dividend accumulations or refunds, and other deposit funds.

²Includes Puerto Rico, American Samoa, Guam, U.S. Virgin Islands, Canada, N. Mariana Islands and other aggregates.

Table 10.7

Mortgages Owned by Life Insurers, by Type and State, 2017 (thousands)

	Farm	Non-farm	Total
Alabama	\$439,651	\$2,142,538	\$2,582,189
Alaska	33,574	218,810	252,383
Arizona	306,112	9,760,692	10,066,804
Arkansas	1,044,880	373,608	1,418,488
California	5,610,827	96,826,366	102,437,193
Colorado	250,073	11,239,152	11,489,224
Connecticut	-	2,971,488	2,971,488
Delaware	5,024	1,111,586	1,116,611
District of Columbia	-	13,197,128	13,197,128
Florida	782,282	26,717,255	27,499,537
Georgia	249,270	15,212,437	15,461,706
Hawaii	5,320	2,275,100	2,280,420
Idaho	621,390	717,141	1,338,530
Illinois	1,111,150	24,081,717	25,192,867
Indiana	866,506	3,798,207	4,664,713
Iowa	690,071	983,410	1,673,481
Kansas	125,127	2,666,309	2,791,435
Kentucky	59,681	1,883,697	1,943,378
Louisiana	204,821	1,286,629	1,491,450
Maine	145,574	476,981	622,556
Maryland	3,988	13,466,766	13,470,754
Massachusetts	-	16,994,346	16,994,346
Michigan	72,660	4,616,311	4,688,971
Minnesota	540,950	6,488,008	7,028,957
Mississippi	907,780	529,979	1,437,759
Missouri	797,355	4,305,098	5,102,452
Montana	308,073	154,545	462,618
Nebraska	715,256	1,411,190	2,126,446
Nevada	79,467	3,869,400	3,948,867
New Hampshire	-	412,919	412,919
New Jersey	63,430	18,492,874	18,556,304
New Mexico	174,484	652,855	827,339
New York	1,103	43,915,162	43,916,265
North Carolina	125,967	10,739,243	10,865,210
North Dakota	157,728	336,964	494,692
Ohio	211,537	9,644,773	9,856,309
Oklahoma	112,948	1,272,369	1,385,318
Oregon	545,464	6,868,075	7,413,539
Pennsylvania	71,445	10,425,922	10,497,366
Rhode Island	-	399,132	399,132
South Carolina	225,860	3,613,868	3,839,728
South Dakota	432,050	113,587	545,638
Tennessee	68,390	6,536,978	6,605,368
Texas	798,146	44,734,025	45,532,171
Utah	59,680	5,239,776	5,299,456
Vermont	7,146	126,395	133,542
Virginia	95,013	14,503,689	14,598,702
Washington	993,734	18,424,977	19,418,711
West Virginia	202,688	140,568	343,257
Wisconsin	229,310	3,615,581	3,844,891
Wyoming	97,615	97,882	195,497
Total U.S.	20,650,600	470,083,506	490,734,106
Other ¹	1,026,897	21,790,378	22,817,274
Aggregate total	21,677,497	491,873,884	513,551,380

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.

¹Includes U.S. territories and possessions, various/multistate categories and foreign countries.

Table 10.8

Real Estate Owned by Life Insurers, by State, 2017 (thousands)

Alabama	\$113,672	Nebraska	\$222,452
Alaska	21,497	Nevada	179,121
Arizona	666,610	New Hampshire	18,510
Arkansas	36,208	New Jersey	1,148,407
California	10,651,772	New Mexico	4,330
Colorado	543,603	New York	2,859,186
Connecticut	821,121	North Carolina	594,271
Delaware	92,041	North Dakota	5,251
District of Columbia	1,593,335	Ohio	179,000
Florida	3,000,622	Oklahoma	46,078
Georgia	1,434,481	Oregon	816,906
Hawaii	1,766	Pennsylvania	614,226
Idaho	27,693	Rhode Island	98,366
Illinois	2,416,100	South Carolina	228,248
Indiana	161,544	South Dakota	20,446
Iowa	634,586	Tennessee	519,467
Kansas	122,319	Texas	2,671,641
Kentucky	86,350	Utah	53,183
Louisiana	256,547	Vermont	54,552
Maine	56,235	Virginia	1,074,898
Maryland	387,804	Washington	2,404,656
Massachusetts	3,089,369	West Virginia	130
Michigan	335,000	Wisconsin	932,329
Minnesota	951,158	Wyoming	13,215
Mississippi	100,732	Total U.S.	42,487,672
Missouri	126,641	Other ¹	230,095
Montana	-	Aggregate total	42,717,768

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.

¹Includes U.S. territories and possessions, various/multistate categories and foreign countries.

11 **INDUSTRY RANKINGS**

The U.S. life insurance industry in 2017 is made up of 781 companies with sales and operations across the country. Many of these companies are stand-alone entities, with no life insurer affiliate or subsidiary operating in the United States. Others are organized into groups or fleets of affiliates and subsidiaries. This chapter presents rankings of the 25 largest life insurance groups (counting stand-alone companies as a group of one) based on assets, premiums and annuity considerations, and life insurance coverage.

Table 11.1

Largest Life Insurers, by Total Assets, 2017 (thousands)

Prudential Financial	\$595,555,706
MetLife, Inc.	427,448,980
New York Life	320,496,126
TIAA-CREF	307,306,295
American International Group	290,020,143
Manulife Financial	272,029,693
Northwestern Mutual	265,145,196
Lincoln Financial	254,926,788
Massachusetts Mutual	251,812,588
Jackson National	241,568,398
Transamerica Corporation	217,572,582
Voya Financial	200,578,566
AXA Financial	199,794,563
Brighthouse Financial	193,752,739
Principal Financial	189,320,973
Nationwide	171,244,359
Hartford Life, Inc.	158,745,012
Allianz	141,291,787
Pacific Life	135,236,993
AFLAC	114,373,439
Ameriprise Financial	113,637,262
Thrivent Financial For Lutherans	94,809,400
Sammons Financial	82,102,685
Guardian	76,681,379
State Farm	75,995,849

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.2

Largest Life Insurers, by General Account Assets, 2017 (thousands)

MetLife, Inc.	\$284,832,353
New York Life	265,855,925
TIAA-CREF	264,658,177
Northwestern Mutual	232,683,364
American International Group	193,765,649
Prudential Financial	179,546,291
Massachusetts Mutual	176,307,776
AFLAC	114,373,439
Manulife Financial	113,923,903
Allianz	111,785,095
Lincoln Financial	108,067,284
Voya Financial	92,619,515
Transamerica Corporation	80,671,796
Sammons Financial	77,444,103
State Farm	74,213,292
Pacific Life	73,781,135
Principal Financial	71,142,341
Athene Group	69,794,754
Brighthouse Financial	67,978,978
Jackson National	64,989,549
Guardian	63,048,951
Thrivent Financial For Lutherans	62,743,290
Nationwide	62,472,164
Genworth Financial	62,239,618
AXA Financial	58,604,933

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.3

Largest Life Insurers, by Separate Account Assets, 2017 (thousands)

Prudential Financial	\$416,009,415
Jackson National	176,578,848
Manulife Financial	158,105,790
Lincoln Financial	146,859,504
MetLife, Inc.	142,616,627
AXA Financial	141,189,630
Transamerica Corporation	136,900,786
Brighthouse Financial	125,773,761
Hartford Life, Inc.	119,817,794
Principal Financial	118,178,632
Nationwide	108,772,195
Voya Financial	107,959,051
American International Group	96,254,494
Ameriprise Financial	82,729,138
Massachusetts Mutual	75,504,812
Pacific Life	61,455,858
New York Life	54,640,201
TIAA-CREF	42,648,118
Northwestern Mutual	32,461,832
Thrivent Financial For Lutherans	32,066,109
Fidelity Investments	31,166,266
Allianz	29,506,692
Great West	28,958,521
Securian Financial Group	25,489,510
Delaware Life Holding	25,172,495

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.4

Largest Life Insurers, by Individual Net Life Insurance Premiums, 2017 (thousands)

Northwestern Mutual	\$13,425,455
Prudential Financial	9,249,561
New York Life	9,210,450
Massachusetts Mutual	6,265,313
Lincoln Financial	5,052,709
State Farm	4,750,483
Guardian	4,021,915
AFLAC	3,789,653
Pacific Life	3,266,124
Manulife Financial	2,836,456
AXA Financial	2,725,646
MetLife, Inc.	2,660,645
Swiss Re America	2,429,645
RGA Group	2,055,887
Berkshire Hathaway	2,036,979
Sammons Financial	1,926,603
Torchmark	1,763,222
Nationwide	1,703,977
Thrivent Financial For Lutherans	1,641,599
Securian Financial Group	1,594,684
Mutual of Omaha	1,415,478
Protective Life	1,321,274
Great West	1,188,734
Knights Of Columbus	1,133,510
Western and Southern Financial	1,128,983

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Figures are net of reinsurance.

Table 11.5

Largest Life Insurers, by Group Net Life Insurance Premiums, 2017 (thousands)

MetLife, Inc.	\$6,593,655
Prudential Financial	3,714,069
Hartford Life, Inc.	3,652,622
New York Life	2,410,121
Securian Financial Group	1,764,811
CIGNA	1,728,945
Zurich Financial	1,461,969
Nationwide	1,375,609
UNUM	859,823
Lincoln Financial	705,199
Sun Life Assurance	697,398
Liberty Mutual	580,138
Guardian	579,437
Torchmark	451,645
Homesteaders Life Company	448,098
Principal Financial	417,027
Assurant, Inc.	353,185
Anthem, Inc.	345,160
National Guardian Life Insurance Group	325,987
HCSC	303,407
Mutual of Omaha	249,962
Transamerica Corporation	221,366
Tokio Marine Holdings	188,364
CUNA Mutual	173,949
Meiji Yasuda Life Insurance Group	171,555

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Figures are net of reinsurance.

Table 11.6

Largest Life Insurers, by Total Net Life Insurance Premiums, 2017 (thousands)

Northwestern Mutual	\$13,425,558
Prudential Financial	12,963,629
New York Life	11,620,571
MetLife, Inc.	9,279,527
Lincoln Financial	5,757,908
State Farm	4,814,990
Guardian	4,601,353
AFLAC	3,804,568
Massachusetts Mutual	3,649,756
Hartford Life, Inc.	3,604,048
Securian Financial Group	3,406,090
Pacific Life	3,266,088
Nationwide	3,079,586
Manulife Financial	2,894,592
AXA Financial	2,739,428
Swiss Re America	2,493,779
Torchmark	2,214,867
Berkshire Hathaway	2,130,096
RGA Group	2,118,631
Zurich Financial	2,055,979
Sammons Financial	1,958,312
CIGNA	1,795,584
Mutual of Omaha	1,665,439
Thrivent Financial For Lutherans	1,641,599
UNUM	1,465,609

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Figures are net of reinsurance.

Table 11.7

Largest Life Insurers, by Individual Direct Life Insurance Premiums, 2017 (thousands)

Northwestern Mutual	\$14,277,902
New York Life	9,778,458
Prudential Financial	7,675,758
Massachusetts Mutual	7,167,293
Lincoln Financial	6,841,383
Manulife Financial	4,817,929
MetLife, Inc.	4,777,328
State Farm	4,752,934
Transamerica Corporation	4,482,816
Guardian	4,303,548
AFLAC	3,801,782
Pacific Life	3,425,350
American International Group	3,366,447
AXA Financial	3,212,329
Brighthouse Financial	2,733,839
Sammons Financial	2,694,052
Protective Life	2,497,255
Primerica	2,329,783
Voya Financial	2,250,347
Nationwide	2,028,963
Torchmark	1,858,752
Penn Mutual	1,825,608
Thrivent Financial For Lutherans	1,766,731
Securian Financial Group	1,748,251
Principal Financial	1,736,807

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.8

Largest Life Insurers, by Group Direct Life Insurance Premiums, 2017 (thousands)

MetLife, Inc.	\$9,528,422
Prudential Financial	4,386,407
Securian Financial Group	2,425,197
New York Life	2,003,966
Zurich Financial	1,792,194
CIGNA	1,775,138
UNUM	1,517,504
Massachusetts Mutual	1,444,945
Nationwide	1,397,538
Hartford Life, Inc.	1,341,146
Aetna	1,011,418
Meiji Yasuda Life Insurance Group	911,576
Lincoln Financial	707,406
Sun Life Assurance	602,527
Liberty Mutual	581,265
Guardian	579,767
Assurant, Inc.	527,506
Voya Financial	470,254
Tokio Marine Holdings	462,969
Torchmark	461,472
Homesteaders Life Company	448,204
Mutual of Omaha	445,479
Principal Financial	419,874
National Guardian Life Insurance Group	323,250
Anthem, Inc.	319,671

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.9

Largest Life Insurers, by Total Direct Life Insurance Premiums, 2017 (thousands)	
MetLife, Inc.	\$14,328,560
Northwestern Mutual	14,277,967
Prudential Financial	12,062,165
New York Life	11,782,423
Massachusetts Mutual	8,612,238
Lincoln Financial	7,548,789
Guardian	4,883,314
Manulife Financial	4,868,396
State Farm	4,817,441
Transamerica Corporation	4,779,089
Securian Financial Group	4,250,631
AFLAC	3,817,545
American International Group	3,549,453
Nationwide	3,426,501
Pacific Life	3,425,350
AXA Financial	3,229,340
Zurich Financial	2,966,518
Brighthouse Financial	2,733,849
Sammons Financial	2,731,312
Voya Financial	2,720,602
Protective Life	2,523,662
Hartford Life, Inc.	2,370,397
Primerica	2,330,705
Torchmark	2,320,223
UNUM	2,195,456

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.10

Largest Life Insurers, by Individual Life Insurance Issued, 2017 (thousands)

Northwestern Mutual	\$157,528,291
New York Life	103,070,437
Prudential Financial	100,322,693
Primerica	85,526,563
State Farm	83,719,330
Massachusetts Mutual	81,142,830
American International Group	72,754,412
Lincoln Financial	61,869,530
Principal Financial	57,582,195
Legal & General	53,119,574
Transamerica Corporation	52,161,140
Protective Life	52,114,705
Manulife Financial	51,396,903
Torchmark	39,022,558
Allstate	33,189,560
Guardian	33,066,385
Pacific Life	29,504,696
Mutual of Omaha	29,156,464
USAA	25,031,352
Sammons Financial	24,874,684
National Life	23,236,260
Nationwide	23,142,264
Zurich Financial	22,739,393
AXA Financial	21,249,120
Securian Financial Group	20,773,405

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.11

Largest Life Insurers, by Group Life Insurance Issued, 2017 (thousands)

MetLife, Inc.	\$259,562,716
Securian Financial Group	124,318,034
Prudential Financial	99,200,643
UNUM	97,204,391
CIGNA	76,360,556
Aetna	60,341,557
Hartford Life, Inc.	57,239,229
Meiji Yasuda Life Insurance Group	57,147,970
Liberty Mutual	56,416,650
Lincoln Financial	49,983,777
Voya Financial	44,763,335
Guardian	38,155,515
Sun Life Assurance	34,027,699
Mutual of Omaha	31,986,278
Principal Financial	29,945,559
Tokio Marine Holdings	26,912,530
New York Life	24,610,057
Sumitomo Life Group	22,914,904
HCSC	11,037,029
UnitedHealth	9,438,206
AAA Life Insurance Group	9,068,140
5 Star Life Insurance Company	8,861,163
Anthem, Inc.	8,216,905
OneAmerica Financial	7,874,283
Massachusetts Mutual	6,352,081

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.12

Largest Life Insurers, by Total Life Insurance Issued, 2017 (thousands)

MetLife, Inc.	\$267,246,786
Prudential Financial	199,523,336
Northwestern Mutual	157,771,129
Securian Financial Group	149,618,446
New York Life	127,680,494
Lincoln Financial	111,853,307
UNUM	109,023,007
Principal Financial	87,527,754
Massachusetts Mutual	87,494,911
Primerica	85,526,563
State Farm	83,921,686
CIGNA	76,495,187
American International Group	72,784,150
Guardian	71,221,900
Liberty Mutual	62,853,146
Mutual of Omaha	61,142,742
Aetna	60,435,401
Meiji Yasuda Life Insurance Group	57,272,515
Hartford Life, Inc.	57,265,711
Transamerica Corporation	55,087,144
Legal & General	53,135,895
Protective Life	52,637,889
Manulife Financial	51,396,903
Voya Financial	51,177,395
Torchmark	41,109,413

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017.

Table 11.13

Largest Life Insurers, by Individual Life Insurance in Force, 2017 (thousands)

Northwestern Mutual	\$1,239,114,961
State Farm	885,017,507
Swiss Re America	820,037,406
New York Life	767,465,846
Prudential Financial	568,616,062
RGA Group	485,691,385
AXA Financial	384,600,279
Berkshire Hathaway	381,306,330
Pacific Life	329,221,623
Protective Life	315,608,664
Transamerica Corporation	288,170,421
Lincoln Financial	254,367,209
Guardian	213,720,437
American International Group	213,456,949
MetLife, Inc.	181,726,576
USAA	180,376,996
Munich American Holding	180,081,459
Allstate	172,484,031
Manulife Financial	168,998,308
Massachusetts Mutual	165,797,446
Nationwide	152,962,250
Brighthouse Financial	151,437,783
AFLAC	146,668,131
Torchmark	141,833,971
Thrivent Financial For Lutherans	135,148,745

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude reinsurance ceded.

Table 11.14

Largest Life Insurers, by Group Life Insurance in Force, 2017 (thousands)

Prudential Financial	\$1,875,621,773
MetLife, Inc.	1,472,769,892
CIGNA	763,833,421
Securian Financial Group	697,375,550
Hartford Life, Inc.	429,742,102
New York Life	388,747,625
Lincoln Financial	331,589,504
UNUM	311,504,035
Liberty Mutual	302,330,186
Guardian	257,017,804
Sun Life Assurance	230,073,198
Principal Financial	143,493,403
HCSC	112,968,779
Anthem, Inc.	90,099,830
UnitedHealth	70,774,261
Mutual of Omaha	62,829,712
Sumitomo Life Group	51,208,677
Nationwide	49,824,833
Arkansas Blue Cross & Blue Shield	46,301,601
Massachusetts Mutual	45,893,542
Tokio Marine Holdings	43,481,848
American International Group	43,175,663
OneAmerica Financial	40,912,721
Great West	38,940,828
Torchmark	24,585,760

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude reinsurance ceded.

Table 11.15

Largest Life Insurers, by Total Life Insurance in Force, 2017 (thousands)

Prudential Financial	\$2,444,237,835
MetLife, Inc.	1,656,138,212
Northwestern Mutual	1,240,877,254
New York Life	1,156,213,471
State Farm	899,117,281
Swiss Re America	843,593,839
Securian Financial Group	777,196,927
CIGNA	772,241,834
Lincoln Financial	585,956,713
RGA Group	520,136,537
Guardian	470,738,241
Hartford Life, Inc.	462,263,590
Berkshire Hathaway	404,114,541
AXA Financial	389,380,211
UNUM	369,122,187
Pacific Life	329,230,226
Liberty Mutual	320,786,752
Protective Life	317,167,623
Transamerica Corporation	310,082,104
American International Group	256,632,612
Sun Life Assurance	243,785,383
Massachusetts Mutual	211,690,988
Nationwide	202,787,083
Munich American Holding	198,414,527
Principal Financial	197,611,996

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude reinsurance ceded.

Table 11.16

Largest Life Insurers, by Individual Direct Annuity Considerations, 2017 (thousands)

Jackson National	\$16,193,939
New York Life	11,809,216
American International Group	11,544,331
Nationwide	10,466,399
Allianz	9,952,706
Lincoln Financial	9,045,707
TIAA-CREF	7,985,672
AXA Financial	7,908,397
Prudential Financial	5,974,011
Global Atlantic Financial	5,916,239
Pacific Life	5,824,642
Athene Group	5,462,088
Sammons Financial	4,570,718
American Financial	4,289,650
Ameriprise Financial	4,241,702
American Equity Investment Group	4,161,545
Brighthouse Financial	4,012,129
Guggenheim Group	3,579,850
Transamerica Corporation	3,222,976
Sumitomo Life Group	3,192,887
Thrivent Financial For Lutherans	3,177,434
Massachusetts Mutual	2,721,840
Principal Financial	2,604,444
FGL Holdings Grp	2,421,424
Northwestern Mutual	2,064,338

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.17

Largest Life Insurers, by Group Direct Annuity Considerations, 2017 (thousands)

Manulife Financial	\$14,988,914
Prudential Financial	13,705,215
Voya Financial	12,832,256
Transamerica Corporation	12,654,611
Massachusetts Mutual	9,760,022
MetLife, Inc.	9,476,769
TIAA-CREF	7,497,430
New York Life	4,514,503
Nationwide	4,112,258
American International Group	3,886,078
Great West	3,847,504
Lincoln Financial	3,839,167
OneAmerica Financial	3,611,348
Securian Financial Group	3,376,418
AXA Financial	3,160,818
Principal Financial	2,790,151
Jackson National	2,423,884
Athene Group	2,269,719
Meiji Yasuda Life Insurance Group	2,226,822
Mutual of America Life Insurance Company	2,082,004
Hartford Life, Inc.	1,593,647
Ameritas	952,989
CUNA Mutual	894,625
Mutual of Omaha	865,845
Pacific Life	814,423

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.18

Largest Life Insurers, by Total Direct Annuity Considerations, 2017 (thousands)

Prudential Financial	\$19,679,226
Jackson National	18,617,823
New York Life	16,323,719
Transamerica Corporation	15,877,587
TIAA-CREF	15,483,101
American International Group	15,430,409
Manulife Financial	15,097,014
Voya Financial	14,802,571
Nationwide	14,578,658
Lincoln Financial	12,884,874
Massachusetts Mutual	12,481,862
AXA Financial	11,069,215
MetLife, Inc.	10,131,321
Allianz	9,952,706
Athene Group	7,731,807
Pacific Life	6,639,065
Global Atlantic Financial	6,196,098
Principal Financial	5,394,594
Sammons Financial	4,916,842
Great West	4,399,377
American Financial	4,326,389
Ameriprise Financial	4,297,879
Brighthouse Financial	4,237,079
American Equity Investment Group	4,161,545
OneAmerica Financial	4,110,802

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.19

Largest Life Insurers, by Individual Annuity Reserves, 2017 (millions)

TIAA-CREF	\$186,066
Jackson National	184,266
Prudential Financial	166,292
Lincoln Financial	145,956
American International Group	145,649
Brighthouse Financial	136,107
Allianz	117,723
New York Life	98,724
Ameriprise Financial	86,716
Transamerica Corporation	83,558
Nationwide	83,306
Pacific Life	75,765
AXA Financial	68,324
MetLife, Inc.	52,153
Hartford Life, Inc.	49,958
Athene Group	49,500
Thrivent Financial For Lutherans	46,036
American Equity Investment Group	45,880
Manulife Financial	45,676
Voya Financial	39,061
Guggenheim Group	34,644
Sammons Financial	34,428
Fidelity Investments	31,359
Massachusetts Mutual	29,947
American Financial	29,547

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.20

Largest Life Insurers, by Group Annuity Reserves, 2017 (millions)

MetLife, Inc.	\$120,503
Prudential Financial	119,474
Voya Financial	115,035
Manulife Financial	102,418
AXA Financial	74,323
Massachusetts Mutual	72,142
American International Group	62,632
Transamerica Corporation	61,091
TIAA-CREF	56,604
Nationwide	41,299
Great West	31,992
New York Life	28,511
Lincoln Financial	24,604
Jackson National	23,491
OneAmerica Financial	20,973
Securian Financial Group	19,947
Hartford Life, Inc.	19,299
Principal Financial	13,257
Delaware Life Holding	12,638
Meiji Yasuda Life Insurance Group	12,224
Sammons Financial	8,074
Northwestern Mutual	6,837
Brighthouse Financial	6,608
Sentry Insurance Group	6,404
Ameritas	5,789

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.21

Largest Life Insurers, by Total Annuity Reserves, 2017 (millions)	
Prudential Financial	\$285,766
TIAA-CREF	242,670
American International Group	208,281
Jackson National	207,757
MetLife, Inc.	172,656
Lincoln Financial	170,560
Voya Financial	154,096
Manulife Financial	148,094
Transamerica Corporation	144,649
Brighthouse Financial	142,715
AXA Financial	142,647
New York Life	127,235
Nationwide	124,605
Allianz	117,734
Massachusetts Mutual	102,089
Ameriprise Financial	89,225
Pacific Life	79,204
Hartford Life, Inc.	69,257
Athene Group	53,888
Thrivent Financial For Lutherans	46,036
American Equity Investment Group	45,880
Sammons Financial	42,502
Principal Financial	38,017
Guggenheim Group	35,734
Great West	35,316

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. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2017. Amounts exclude deposit-type funds and supplementary contracts.

12 MORTALITY AND LIFE EXPECTANCY

U.S. mortality rates and life expectancies have improved dramatically over the long term. The aggregate, age-adjusted death rate (per 1,000 population) has fallen from 17.9 in 1940 to 7.3 in 2016 (Table 12.1). The death rate among males dropped from 19.8 to 8.6 over this period, and among females, from 16 to 6.2.

Life expectancy at age 25 is currently 52.4 years for males and 56.9 years for females (Table 12.2). A man who retired in 2016 at age 65 could expect to live 18 years more on average, while a 65-year-old woman could expect to live another 20.6 years.

Examining trend data for life expectancy over the past century yields startling contrasts. A 25-year-old during 1900–02 could expect to live 39.1 years more vs. 54.7 additional years for a 25-year-old in 2016.

Because of increased longevity, the last eighteen years shown in Table 12.2 have been extended to include life expectancy for men and women at age 100. This is consistent with the 2001 Commissioners Standard Ordinary (CSO) Mortality Table. The 2001 CSO mortality table was introduced by the Society of Actuaries and adopted by the National Association of Insurance Commissioners for life insurers to use in underwriting insurance (Table 12.3). It is the prevailing mortality table and has been adopted by most states.

Table 12.1

Death Rates in the United States

Year	Age-adjusted rate per 1,000 population ¹		
	Male	Female	Total
1940	19.8	16.0	17.9
1950	16.7	12.4	14.5
1960	16.1	11.1	13.4
1970	15.4	9.7	12.2
1975	14.2	8.6	10.9
1980	13.5	8.2	10.4
1985	12.8	7.8	9.9
1986	12.6	7.8	9.8
1987	12.5	7.7	9.7
1988	12.5	7.8	9.8
1989	12.2	7.6	9.5
1990	12.0	7.5	9.4
1991	11.8	7.4	9.2
1992	11.6	7.3	9.1
1993	11.8	7.5	9.3
1994	11.6	7.4	9.1
1995	11.4	7.4	9.1
1996	11.2	7.3	8.9
1997	10.9	7.3	8.8
1998	10.7	7.2	8.7
1999	10.7	7.3	8.8
2000	10.5	7.3	8.7
2001	10.4	7.3	8.6
2002	10.3	7.2	8.6
2003	10.1	7.2	8.4
2004	9.7	6.9	8.1
2005	9.7	6.9	8.2
2006	9.4	6.7	7.9
2007	9.2	6.6	7.8
2008	9.2	6.6	7.7
2009	8.9	6.4	7.5
2010	8.9	6.3	7.5
2011	8.8	6.3	7.4
2012	8.7	6.2	7.3
2013	8.6	6.2	7.3
2014	8.6	6.2	7.2
2015	8.6	6.2	7.3
2016	8.6	6.2	7.3

Source: U.S. Department of Health and Human Services' National Center for Health Statistics, *National Vital Statistics Reports*.

¹Based on population estimates from the 2000 census, which were modified for consistency with Office of Management and Budget racial categories as of 1977. All death rates have been revised, and may differ from previously published rates that were based on 1990 population estimates.

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016

	Age	Male	Female	Total
1900–02	Newborn	47.9	50.7	49.2
	1	54.4	56.1	55.2
	5	54.2	55.8	55.0
	15	46.1	47.6	46.8
	25	38.4	39.9	39.1
	35	31.2	32.7	31.9
	45	24.1	25.4	24.8
	55	17.4	18.4	17.9
	65	11.5	12.2	11.9
	75	6.8	7.3	7.1
	85	3.8	4.1	4.0
	Age	Male	Female	Total
1909–11	Newborn	49.9	53.2	51.5
	1	56.0	58.4	57.1
	5	55.1	57.4	56.2
	15	46.7	48.9	47.7
	25	38.6	40.7	39.6
	35	30.9	33.0	31.9
	45	23.8	25.4	24.5
	55	17.0	18.1	17.6
	65	11.2	12.0	11.6
	75	6.8	7.2	7.0
	85	3.9	4.1	4.0
	Age	Male	Female	Total
1919–21	Newborn	55.5	57.4	56.4
	1	59.5	60.5	59.9
	5	57.6	58.4	58.0
	15	49.1	49.7	49.4
	25	41.1	41.9	41.5
	35	33.4	34.4	33.9
	45	25.8	26.7	26.3
	55	18.5	19.3	18.9
	65	12.2	12.7	12.5
	75	7.3	7.7	7.5
	85	4.1	4.3	4.2
	Age	Male	Female	Total
1929–31	Newborn	57.7	60.9	59.2
	1	60.8	65.4	61.9
	5	58.1	60.7	59.3
	15	49.2	51.5	50.3
	25	40.8	43.1	41.9
	35	32.7	34.9	33.7
	45	24.9	26.9	25.8
	55	17.8	19.4	18.5
	65	11.7	12.8	12.2
	75	7.0	7.6	7.3
	85	4.0	4.3	4.2

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
1939–41	Newborn	61.6	65.9	63.6
	1	64.0	67.7	65.8
	5	60.8	64.4	62.5
	15	51.4	55.0	53.1
	25	42.5	45.9	44.1
	35	33.8	37.0	35.3
	45	25.5	28.5	26.9
	55	18.2	20.5	19.3
	65	12.1	13.6	12.8
	75	7.2	8.0	7.6
	85	4.1	4.5	4.3
	Age	Male	Female	Total
1949–51	Newborn	65.5	71.0	68.1
	1	66.7	71.8	69.2
	5	63.1	68.2	65.5
	15	53.6	58.5	55.9
	25	44.4	49.0	46.6
	35	35.2	39.6	37.3
	45	26.6	30.6	28.5
	55	19.0	22.3	20.6
	65	12.7	15.0	13.8
	75	7.8	8.9	8.4
	85	4.4	4.9	4.7
	Age	Male	Female	Total
1959–61	Newborn	66.8	73.2	69.9
	1	67.8	73.9	70.8
	5	64.1	70.2	67.0
	15	54.4	60.5	57.3
	25	45.2	50.8	47.9
	35	35.9	41.3	38.5
	45	27.1	32.1	29.5
	55	19.3	23.5	21.4
	65	13.0	15.8	14.4
	75	8.0	9.3	8.7
	85	4.4	4.7	4.6
	Age	Male	Female	Total
1969–71	Newborn	67.0	74.6	70.8
	1	67.6	75.0	71.2
	5	63.8	71.2	67.4
	15	54.1	61.4	57.7
	25	45.1	51.8	48.4
	35	36.0	42.3	39.1
	45	27.2	33.1	30.1
	55	19.4	24.6	22.0
	65	13.0	16.8	15.0
	75	8.1	10.3	9.3
	85	4.7	5.6	5.3

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
1979–81	Newborn	70.1	77.6	73.9
	1	70.1	77.5	73.8
	5	66.3	73.7	70.0
	15	56.5	63.8	60.2
	25	47.4	54.2	50.8
	35	38.2	44.5	41.4
	45	29.2	35.2	32.3
	55	21.1	26.4	23.9
	65	14.2	18.4	16.5
	75	8.9	11.6	10.5
	85	5.1	6.4	6.0
	Age	Male	Female	Total
1989–91	Newborn	71.8	78.8	75.4
	1	71.6	78.5	75.1
	5	67.7	74.6	71.2
	15	57.9	64.7	61.4
	25	48.7	55.0	51.9
	35	39.6	45.4	42.6
	45	30.7	36.0	33.4
	55	22.3	27.1	24.8
	65	15.1	19.0	17.3
	75	9.4	12.1	11.0
	85	5.3	6.7	6.2
	Age	Male	Female	Total
1998	Newborn	73.8	79.5	76.7
	1	73.4	79.0	76.3
	5	69.5	75.1	72.4
	15	59.7	65.2	62.5
	25	50.3	55.5	53.0
	35	41.0	45.8	43.5
	45	31.9	36.4	34.3
	55	23.5	27.4	25.5
	65	16.0	19.2	17.8
	75	10.0	12.2	11.3
	85	5.5	6.7	6.3
	100	2.3	2.7	2.6
	Age	Male	Female	Total
1999	Newborn	73.9	79.4	76.7
	1	73.5	78.9	76.3
	5	69.6	75.0	72.4
	15	59.8	65.1	62.5
	25	50.4	55.4	53.0
	35	41.1	45.7	43.5
	45	32.0	36.3	34.3
	55	23.5	27.3	25.5
	65	16.1	19.1	17.7
	75	10.0	12.1	11.2
	85	5.5	6.6	6.3
	100	2.4	2.7	2.6

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
2000	Newborn	74.1	79.5	76.9
	1	73.7	79.0	76.4
	5	69.8	75.1	72.5
	15	59.9	65.2	62.6
	25	50.6	55.4	53.1
	35	41.3	45.8	43.6
	45	32.2	36.3	34.4
	55	23.8	27.4	25.7
	65	16.3	19.2	17.9
	75	10.1	12.1	11.3
	85	5.6	6.7	6.3
100	2.4	2.7	2.6	
	Age	Male	Female	Total
2001	Newborn	74.4	79.8	77.2
	1	74.0	79.3	76.7
	5	70.1	75.4	72.8
	15	60.2	65.5	62.9
	25	50.9	55.7	53.4
	35	41.5	46.0	43.9
	45	32.5	36.6	34.7
	55	24.0	27.7	26.0
	65	16.4	19.4	18.1
	75	10.2	12.4	11.5
	85	5.7	6.9	6.5
100	2.5	2.8	2.7	
	Age	Male	Female	Total
2002	Newborn	74.5	79.9	77.3
	1	74.1	79.4	76.8
	5	70.2	75.4	72.9
	15	60.3	65.5	63.0
	25	51.0	55.8	53.5
	35	41.6	46.1	44.0
	45	32.6	36.7	34.8
	55	24.1	27.7	26.1
	65	16.6	19.5	18.2
	75	10.3	12.4	11.5
	85	5.7	6.9	6.5
100	2.5	2.8	2.7	

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
2003	Newborn	74.8	80.1	77.5
	1	74.3	79.6	77.0
	5	70.4	75.7	73.1
	15	60.6	65.8	63.2
	25	51.2	56.0	53.7
	35	41.9	46.4	44.2
	45	32.8	37.0	35.0
	55	24.4	28.0	26.3
	65	16.8	19.8	18.4
	75	10.5	12.6	11.8
	85	6.0	7.2	6.8
100	2.3	2.6	2.6	
	Age	Male	Female	Total
2004	Newborn	75.2	80.4	77.8
	1	74.7	79.9	77.4
	5	70.8	76.0	73.5
	15	61.0	66.1	63.6
	25	51.6	56.3	54.0
	35	42.2	46.6	44.5
	45	33.1	37.2	35.3
	55	24.7	28.3	26.6
	65	17.1	20.0	18.7
	75	10.7	12.8	11.9
	85	6.1	7.2	6.8
100	2.3	2.6	2.6	
	Age	Male	Female	Total
2005	Newborn	75.2	80.4	77.8
	1	74.7	79.9	77.4
	5	70.8	76.0	73.5
	15	61.0	66.1	63.6
	25	51.6	56.4	54.1
	35	42.3	46.7	44.6
	45	33.2	37.3	35.3
	55	24.8	28.3	26.7
	65	17.2	20.0	18.7
	75	10.8	12.8	12.0
	85	6.1	7.2	6.8
100	2.3	2.6	2.6	

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900-2016—Continued

	Age	Male	Female	Total
2006	Newborn	75.1	80.2	77.7
	1	74.7	79.7	77.2
	5	70.8	75.8	73.3
	15	60.9	65.9	63.4
	25	51.5	56.1	53.9
	35	42.2	46.4	44.4
	45	33.1	37.0	35.2
	55	24.7	28.0	26.5
	65	17.0	19.7	18.5
	75	10.5	12.3	11.6
	85	5.7	6.8	6.4
	100	2.0	2.3	2.3
	Age	Male	Female	Total
2007	Newborn	75.4	80.4	77.9
	1	74.9	79.9	77.5
	5	71.0	76.0	73.6
	15	61.1	66.1	63.7
	25	51.8	56.3	54.1
	35	42.5	46.7	44.6
	45	33.3	37.2	35.4
	55	24.9	28.2	26.7
	65	17.2	19.9	18.6
	75	10.6	12.5	11.7
	85	5.8	6.8	6.5
	100	2.1	2.3	2.3
	Age	Male	Female	Total
2008	Newborn	75.5	80.5	78.0
	1	75.1	80.0	77.6
	5	71.2	76.1	73.7
	15	61.3	66.1	63.8
	25	51.9	56.4	54.2
	35	42.6	46.7	44.7
	45	33.4	37.2	35.4
	55	24.9	28.3	26.7
	65	17.2	19.9	18.7
	75	10.6	12.5	11.7
	85	5.8	6.8	6.5
	100	2.1	2.3	2.3

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
2009	Newborn	76.0	80.9	78.6
	1	75.6	80.4	78.1
	5	71.6	76.5	74.2
	15	61.7	66.6	64.3
	25	52.3	56.8	54.7
	35	43.0	47.1	45.2
	45	33.8	37.7	35.9
	55	25.4	28.7	27.2
	65	17.7	20.3	19.2
	75	11.0	12.9	12.2
	85	5.9	7.0	6.6
100	2.1	2.4	2.4	
	Age	Male	Female	Total
2010	Newborn	76.2	81.0	78.7
	1	75.7	80.5	78.1
	5	71.8	76.6	74.2
	15	61.9	66.6	64.3
	25	52.4	56.9	54.7
	35	43.1	47.2	45.2
	45	33.9	37.7	35.9
	55	25.4	28.8	27.2
	65	17.7	20.3	19.1
	75	11.0	12.9	12.1
	85	5.8	6.9	6.5
100	2.1	2.3	2.3	
	Age	Male	Female	Total
2011	Newborn	76.3	81.1	78.7
	1	75.8	80.5	78.2
	5	71.9	76.6	74.3
	15	62.0	66.7	64.4
	25	52.5	56.9	54.8
	35	43.2	47.2	45.3
	45	34.0	37.8	36.0
	55	25.5	28.8	27.2
	65	17.8	20.3	19.2
	75	11.1	12.9	12.1
	85	5.9	6.9	6.5
100	2.1	2.3	2.3	

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
2012	Newborn	76.4	81.2	78.8
	1	75.9	80.6	78.3
	5	72.0	76.7	74.4
	15	62.1	66.8	64.5
	25	52.6	57.0	54.9
	35	43.3	47.3	45.4
	45	34.1	37.9	36.1
	55	25.6	28.9	27.3
	65	17.9	20.5	19.3
	75	11.2	12.9	12.2
	85	5.9	7.0	6.6
100	2.0	2.3	2.3	
	Age	Male	Female	Total
2013	Newborn	76.4	81.2	78.8
	1	75.9	80.6	78.3
	5	72.0	76.7	74.4
	15	62.1	66.8	64.5
	25	52.6	57.0	54.8
	35	43.3	47.3	45.4
	45	34.1	37.9	36.1
	55	25.6	28.9	27.3
	65	17.9	20.5	19.3
	75	11.2	12.9	12.2
	85	5.9	7.0	6.6
100	2.0	2.3	2.3	
	Age	Male	Female	Total
2014	Newborn	76.5	81.3	78.9
	1	76.0	80.7	78.4
	5	72.0	76.8	74.4
	15	62.1	66.8	64.5
	25	52.7	57.0	54.9
	35	43.4	47.4	45.4
	45	34.2	38.0	36.1
	55	25.6	29.0	27.4
	65	18.0	20.6	19.4
	75	11.3	13.1	12.3
	85	6.0	7.1	6.7
100	2.1	2.4	2.3	

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2016—Continued

	Age	Male	Female	Total
2015	Newborn	76.3	81.2	78.8
	1	75.8	80.6	78.2
	5	71.9	76.7	74.3
	15	62.0	66.8	64.4
	25	52.5	57.0	54.8
	35	43.3	47.4	45.4
	45	34.2	37.9	36.1
	55	25.6	28.9	27.3
	65	18.0	20.6	19.4
	75	11.2	13.0	12.3
	85	6.0	7.0	6.6
100	2.1	2.4	2.3	
	Age	Male	Female	Total
2016	Newborn	76.1	81.1	78.6
	1	75.6	80.5	78.1
	5	71.7	76.6	74.1
	15	61.8	66.6	64.2
	25	52.4	56.9	54.7
	35	43.2	47.3	45.3
	45	34.2	37.9	36.1
	55	25.6	28.9	27.3
	65	18.0	20.6	19.4
	75	11.3	13.0	12.2
	85	5.9	7.0	6.6
100	2.0	2.3	2.2	

Source: U.S. Department of Health and Human Services' National Center for Health Statistics, *National Vital Statistics Reports*.

Notes: Alaska and Hawaii are included as of 1959. For decennial periods prior to 1929-31, data represent death registration states only: 1900-02 and 1909-11, 10 states and the District of Columbia; 1919-21, 34 states and the District of Columbia. Beginning with 1970, data exclude deaths of nonresidents of the United States.

Continued

Table 12.3

Mortality Tables

Age	2001 CSO Table				2012 Individual Annuity Reserving Table ^{1,2}			
	Male		Female		Male		Female	
	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)
Newborn	1.0	76.6	0.5	80.8	1.6	91.2	1.6	92.8
1	0.6	75.7	0.4	79.9	0.4	90.3	0.4	91.9
2	0.4	74.7	0.3	78.9	0.3	89.2	0.3	90.9
3	0.3	73.8	0.2	77.9	0.2	88.1	0.2	89.9
4	0.2	72.8	0.2	76.9	0.2	87.1	0.1	88.8
5	0.2	71.8	0.2	76.0	0.2	86.0	0.1	87.8
6	0.2	70.8	0.2	75.0	0.2	85.0	0.1	86.7
7	0.2	69.8	0.2	74.0	0.2	83.9	0.1	85.6
8	0.2	68.8	0.2	73.0	0.1	82.8	0.1	84.6
9	0.2	67.9	0.2	72.0	0.1	81.7	0.1	83.5
10	0.2	66.9	0.2	71.0	0.1	80.7	0.1	82.5
11	0.3	65.9	0.2	70.0	0.1	79.6	0.1	81.4
12	0.3	64.9	0.3	69.1	0.1	78.5	0.1	80.4
13	0.4	63.9	0.3	68.1	0.2	77.4	0.1	79.3
14	0.5	63.0	0.3	67.1	0.2	76.4	0.1	78.2
15	0.6	62.0	0.4	66.1	0.2	75.3	0.2	77.2
16	0.7	61.0	0.4	65.1	0.3	74.2	0.2	76.1
17	0.9	60.1	0.4	64.2	0.3	73.2	0.2	75.1
18	0.9	59.1	0.4	63.2	0.3	72.1	0.2	74.0
19	1.0	58.2	0.5	62.2	0.4	71.0	0.2	73.0
20	1.0	57.2	0.5	61.3	0.4	70.0	0.2	71.9
21	1.0	56.3	0.5	60.3	0.4	68.9	0.2	70.8
22	1.0	55.3	0.5	59.3	0.5	67.8	0.2	69.8
23	1.0	54.4	0.5	58.3	0.5	66.8	0.2	68.7
24	1.1	53.5	0.5	57.4	0.5	65.7	0.2	67.7
25	1.1	52.5	0.5	56.4	0.6	64.7	0.2	66.6
26	1.1	51.6	0.6	55.4	0.6	63.6	0.2	65.6
27	1.2	50.6	0.6	54.5	0.7	62.6	0.3	64.5
28	1.2	49.7	0.6	53.5	0.7	61.5	0.3	63.5
29	1.2	48.7	0.7	52.5	0.7	60.5	0.3	62.4
30	1.1	47.8	0.7	51.6	0.7	59.4	0.3	61.3
31	1.1	46.8	0.7	50.6	0.7	58.4	0.3	60.3
32	1.1	45.9	0.8	49.6	0.7	57.3	0.3	59.2
33	1.2	45.0	0.8	48.7	0.7	56.3	0.3	58.2
34	1.2	44.0	0.9	47.7	0.7	55.2	0.4	57.1
35	1.2	43.1	1.0	46.8	0.7	54.2	0.4	56.1
36	1.3	42.1	1.0	45.8	0.7	53.1	0.4	55.0
37	1.3	41.2	1.1	44.8	0.7	52.0	0.4	54.0
38	1.4	40.2	1.2	43.9	0.7	51.0	0.4	52.9
39	1.5	39.3	1.2	42.9	0.8	49.9	0.5	51.9
40	1.7	38.3	1.3	42.0	0.8	48.9	0.5	50.8
41	1.8	37.4	1.4	41.1	0.9	47.8	0.6	49.8
42	2.0	36.5	1.5	40.1	1.0	46.8	0.6	48.7
43	2.2	35.5	1.6	39.2	1.0	45.7	0.7	47.7
44	2.4	34.6	1.7	38.2	1.1	44.7	0.7	46.6
45	2.7	33.7	1.9	37.3	1.2	43.6	0.8	45.6
46	2.9	32.8	2.1	36.4	1.3	42.6	0.8	44.5
47	3.2	31.9	2.3	35.4	1.4	41.5	0.9	43.5

Continued

Table 12.3

Mortality Tables—Continued

Age	2001 CSO Table				2012 Individual Annuity Reserving Table ^{1,2}			
	Male		Female		Male		Female	
	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)
48	3.3	31.0	2.5	34.5	1.6	40.5	0.9	42.5
49	3.5	30.1	2.8	33.6	1.8	39.5	1.0	41.4
50	3.8	29.2	3.1	32.7	2.0	38.4	1.1	40.4
51	4.1	28.3	3.4	31.8	2.2	37.4	1.3	39.3
52	4.5	27.4	3.8	30.9	2.5	36.4	1.4	38.3
53	4.9	26.5	4.2	30.0	2.7	35.4	1.6	37.3
54	5.5	25.6	4.6	29.1	2.9	34.4	1.7	36.3
55	6.2	24.8	5.1	28.3	3.1	33.4	1.9	35.3
56	6.9	23.9	5.6	27.4	3.4	32.4	2.1	34.2
57	7.6	23.1	6.2	26.6	3.7	31.4	2.3	33.2
58	8.3	22.3	6.8	25.7	4.0	30.4	2.6	32.2
59	9.0	21.5	7.4	24.9	4.4	29.4	2.9	31.2
60	9.9	20.6	8.0	24.1	4.9	28.5	3.3	30.3
61	10.9	19.8	8.7	23.3	5.4	27.5	3.8	29.3
62	12.3	19.1	9.4	22.5	5.9	26.6	4.2	28.3
63	13.7	18.3	10.1	21.7	6.5	25.6	4.7	27.4
64	15.2	17.5	11.0	20.9	7.1	24.7	5.3	26.4
65	16.9	16.8	11.9	20.1	7.7	23.8	5.9	25.5
66	18.5	16.1	12.8	19.4	8.2	22.9	6.3	24.6
67	20.1	15.4	13.9	18.6	8.7	22.0	6.8	23.7
68	21.9	14.7	15.1	17.9	9.3	21.1	7.3	22.7
69	23.6	14.0	16.4	17.1	10.0	20.2	8.0	21.8
70	25.8	13.3	17.8	16.4	10.9	19.3	8.7	20.9
71	28.2	12.7	19.5	15.7	11.9	18.5	9.5	20.1
72	31.3	12.0	21.3	15.0	13.1	17.6	10.4	19.2
73	34.6	11.4	23.3	14.3	14.5	16.8	11.4	18.3
74	38.1	10.8	25.5	13.6	16.1	15.9	12.5	17.5
75	41.9	10.2	27.9	13.0	18.0	15.1	13.7	16.6
76	46.1	9.6	30.5	12.3	20.1	14.3	15.2	15.8
77	50.9	9.0	33.4	11.7	22.5	13.5	16.9	15.0
78	56.6	8.5	36.6	11.1	25.2	12.8	18.8	14.2
79	63.1	8.0	40.1	10.5	28.3	12.0	21.1	13.4
80	70.1	7.5	43.9	9.9	31.8	11.3	23.9	12.6
81	78.2	7.0	49.1	9.3	36.0	10.6	27.3	11.9
82	86.5	6.6	55.0	8.8	40.6	10.0	31.4	11.2
83	95.5	6.1	60.8	8.3	45.6	9.3	36.1	10.5
84	105.4	5.7	67.3	7.8	51.3	8.7	41.6	9.8
85	116.6	5.4	74.5	7.3	57.9	8.1	47.5	9.2
86	128.9	5.0	81.0	6.9	65.5	7.5	54.3	8.6
87	142.4	4.7	90.8	6.4	74.3	7.0	61.6	8.0
88	156.7	4.4	101.1	6.0	84.1	6.5	69.6	7.5
89	171.9	4.1	112.0	5.6	95.3	6.0	77.8	7.0
90	187.7	3.8	121.9	5.3	107.7	5.6	86.8	6.5
91	202.4	3.6	126.9	5.0	120.6	5.2	95.7	6.1
92	217.8	3.4	136.9	4.6	134.7	4.8	105.7	5.7
93	234.0	3.1	151.6	4.3	149.9	4.5	116.4	5.3
94	251.1	3.0	170.3	3.9	165.7	4.2	129.4	4.9

Continued

Table 12.3

Mortality Tables—Continued

Age	2001 CSO Table				2012 Individual Annuity Reserving Table ^{1,2}			
	Male		Female		Male		Female	
	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)
95	269.2	2.8	193.7	3.6	183.0	3.9	144.7	4.5
96	285.6	2.6	215.7	3.4	195.0	3.6	161.9	4.2
97	303.2	2.5	238.5	3.2	212.8	3.4	178.1	3.9
98	321.9	2.3	242.2	3.0	230.4	3.2	194.4	3.6
99	341.9	2.2	255.2	2.8	248.9	2.9	211.9	3.4
100	363.2	2.1	275.7	2.6	267.0	2.8	229.3	3.1
101	380.1	2.0	297.8	2.4	-	-	-	-
102	398.1	1.9	322.2	2.2	-	-	-	-
103	417.2	1.8	349.1	2.1	-	-	-	-
104	437.6	1.7	378.6	1.9	-	-	-	-
105	459.2	1.6	410.6	1.7	-	-	-	-
106	482.2	1.5	443.3	1.6	-	-	-	-
107	506.7	1.4	476.9	1.5	-	-	-	-
108	532.7	1.3	510.7	1.4	-	-	-	-
109	560.3	1.2	545.8	1.3	-	-	-	-
110	589.6	1.1	581.8	1.2	-	-	-	-
111	620.8	1.1	616.3	1.1	-	-	-	-
112	653.8	1.0	649.9	1.0	-	-	-	-
113	688.9	0.9	680.4	0.9	-	-	-	-
114	726.2	0.9	723.4	0.9	-	-	-	-
115	765.7	0.8	763.4	0.8	-	-	-	-
116	807.6	0.7	804.9	0.7	-	-	-	-
117	852.1	0.7	850.4	0.7	-	-	-	-
118	899.2	0.6	892.4	0.6	-	-	-	-
119	949.2	0.6	935.1	0.6	-	-	-	-
120	1000.0	0.5	1000.0	0.5	-	-	-	-

Source: National Association of Insurance Commissioners.

¹Projected to 2015.

²Mortality rates are conservative in relation to the actual and projected experience on which they are based.

- For Life Insurance, conservative means higher rates of death and lower life expectancy.
- For annuities, conservative means lower rates of death and higher life expectancy.

APPENDIX



GLOSSARY OF INSURANCE-RELATED TERMS

(AS OF OCTOBER 2018)

A

Accelerated death benefit Benefit paid, under clearly defined health-related circumstances, to a policyholder prior to his or her death. Accelerated death benefits are also known as *living benefits*.

Accidental death benefit A provision added to a life insurance policy for payment of an additional benefit if death is caused by an accident. Also known as *double indemnity*.

Actuary A person professionally trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance such as the calculation of premiums, reserves, and other values.

Adjustable life insurance A type of life insurance that allows the policyholder to change the plan of insurance, raise or lower the policy's face amount, increase or decrease the premium, and lengthen or shorten the protection period.

Adjuster A person, usually employed by a property/casualty insurer, who evaluates losses and settles claims. Independent adjusters are independent contractors who adjust claims for the insurance companies.

Agent A representative of an insurance company who is authorized to sell and service insurance contracts. Life insurance agents are also known as *life underwriters or producers*.

Annuitant The person whose life expectancy is used to determine the payout of an annuity.

Annuity A financial contract issued by a life insurance company that offers tax-deferred savings and a choice of payout options to meet an owner's needs in retirement: income for life, income for a certain period of time, or a lump sum.

Annuity certain A contract that provides an income for a specified number of years, regardless of life or death.

Annuity consideration The payment, or one of regular periodic payments, that a policyholder makes to an annuity.

Application A statement of information made by a prospective purchaser that helps the insurer assess the acceptability of risk.

Assets Property owned by an insurance company—including stocks, bonds and real estate. Insurance accounting focuses on solvency and the ability to pay claims, therefore a conservative valuation of assets is required. This prohibits companies from listing assets on their balance sheets when values are uncertain.

Asset valuation reserve (AVR) A reserve that makes provisions for credit-related losses on fixed-income assets (default component) as well as all types of equity investments (equity component).

Assignment The legal transfer of one person's interest in an insurance policy to another person.

Assume To accept the risk of potential loss from another insurer.

Assumption reinsurance A reinsurance agreement in which one company permanently transfers full responsibility for a block of policies to another company. After the transfer, the ceding company is no longer a party to the insurance agreement.

Automatic premium loan A loan provision in a life insurance policy allowing any premium not paid by the end of the grace period (usually 30 or 31 days) to be paid automatically through a policy loan if cash value is sufficient.

B

Balance sheet Information on a company's financial condition at a single point in time showing assets, investments, and liabilities. The balance sheet also reveals a company's equity, known as policyholder surplus. Changes in the surplus are one indicator of a company's financial standing.

Bank holding company A company that owns or controls one or more banks. The Federal Reserve regulates and supervises bank holding company activities such as approving mergers and acquisitions. The authority of the Reserve applies even though a bank owned by a holding company may be under the primary supervision of the Comptroller of the Currency or the FDIC.

Beneficiary The person or financial entity (for instance, a trust fund) named in a life insurance policy or annuity contract as the recipient of policy proceeds in the event of the policyholder's death.

Benefit The amount payable by the insurance company to a claimant, assignee, or beneficiary when the insured suffers a loss covered by the policy.

Bond A security obligating the issuer to pay interest at specified intervals and to repay the principal at maturity. Bonds are a form of suretyship: Various types guarantee a payment or reimbursement for financial losses resulting from dishonesty, failure to perform, and other failures.

Bond rating An evaluation of a bond's financial strength by an established rating agency such as Standard & Poor's or Moody's Investor Services.

Broker A sales and service representative who handles insurance for clients and generally sells insurance of various kinds from one company or several.

Business disability insurance Disability insurance purchased by a business on a member of a firm. This insurance is often used to protect business partners against loss caused by a partner's disability and to reimburse corporations for loss caused by the disability of a key employee.

Business life insurance Insurance purchased by a business on the life of a member of the firm. This insurance protects surviving business partners against loss caused by the death of a partner and reimburses corporations for loss caused by the death of a key employee.

C

Capacity The amount of insurance available to meet demand. Availability depends on the industry's capacity for risk. For an individual insurer, it is the maximum amount of risk it can underwrite based on its financial condition. An insurer's capital relative to its exposure to loss is an important measure of its solvency.

Capital stock The initial book value of stock sold by a company to start its operations.

Captive agent A person who represents only one insurance company and is restricted by agreement from submitting business to any other company unless rejected first by the captive agent's company.

Cash balance plan A defined benefit plan that strongly resembles a defined contribution plan. Benefits accrue through employer contributions to employee accounts and interest credits to balances in those accounts. The accounts serve as bookkeeping devices to track benefit accruals.

Cash value The amount available in cash upon surrender of a permanent life insurance policy. Also known as cash surrender value.

Cede To transfer the risk of potential loss to another insurer.

Certificate A statement issued to persons insured under a group policy that defines the essential provisions of their coverage.

Claim Notification to an insurance company that payment of an amount is due under the terms of a policy.

COBRA (Consolidated Omnibus Budget Reconciliation Act) A federal law under which group health plans sponsored by employers with twenty or more employees must offer continuation of insurance coverage to employees and their dependents after they leave their employment. Under COBRA, coverage can be continued for up to 18 months; the employee pays the entire premium.

Codification A process undertaken by NAIC to redefine life company statutory accounting to ensure consistency in how companies present their accounts in their annual statements. This process culminated in the 2001 annual statements, the structure of which was noticeably different from the previous years.

Convertible term insurance Term insurance that can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.

Credit disability insurance Disability insurance issued through a lender or lending agency to cover payment of a loan, an installment purchase, or other obligation in case of disability.

Credit life insurance Term life insurance issued through a lender or lending agency to cover payment of a loan, an installment purchase, or other obligation in case of death.

D

Declination Rejection of an application for insurance coverage by an insurance company, usually due to the applicant's health or occupation.

Deductible The amount of loss paid by the policyholder. Either a specified dollar amount, a percentage of the claim amount, or a specified amount of time that must elapse before benefits are paid. The larger the deductible, the lower the premium charged for the same coverage.

Deferred annuity A contract in which annuity payouts begin at a future date.

Deferred group annuity A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each group member. The total amount received by a member at retirement is the sum of these deferred annuities.

Defined benefit plan A pension plan that specifies the benefits an employee will receive after retirement. Benefits typically are based on length of service and salary, and are usually funded by the employer on behalf of each plan participant.

Defined contribution plan A pension plan that specifies the contributions made by employees, and in many cases the employer, on behalf of each plan participant. These funds accumulate for each participant until retirement, when they are distributed as a lump sum or monthly annuity. Benefits are based on the amount of contributions plus earnings.

Deposit administration group annuity A type of group annuity that allows contributions to accumulate in an undivided fund, out of which annuities are purchased as each member of the group retires.

Deposit term insurance A form of term insurance in which the first-year premium is larger than subsequent premiums. A partial endowment typically is paid at the end of the term period. In many cases, the partial endowment can be applied toward the purchase of a new term or whole life policy.

Deposit-type contracts Contracts that do not include mortality or morbidity risks.

Disability A physical or mental condition that makes an insured person incapable of working.

Disability benefit The benefit paid under a disability income insurance policy; also a feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policyholder becomes totally and permanently disabled.

Disability income insurance Insurance that provides periodic payments, or in some cases a lump-sum payment, based on the insured's income replacement needs, when the insured is unable to work due to illness or injury.

Dividend An amount of money returned to the holder of a participating life insurance policy. The money results from actual mortality, interest, and expenses that were more favorable than expected when the premiums were set. The amount of any dividend is set by the insurer based on the insurer's standards.

Dividend addition An amount of paid-up insurance purchased with a policy dividend and added to the policy's face amount.

E

Earned premium The portion of premium that applies to the expired part of the policy period. Insurance premiums are payable in advance but the insurance company does not fully earn them until the policy period expires.

Endowment Life insurance payable to the policyholder on the policy's maturity date, or to a beneficiary if the insured dies prior to that date.

Evidence of insurability The common requirement by life insurance companies that potential policyholders undergo a physical examination or medical tests, such as blood pressure or cholesterol screening, before the applicant can purchase an individual life insurance policy.

Extended term insurance A form of insurance available as a non-forfeiture option providing the original amount of insurance for a limited time.

Extra risk A person possessing a greater-than-average likelihood of loss.

F

Face amount The amount stated on the face of a life insurance policy that will be paid upon death or policy maturity. The amount excludes dividend additions or additional amounts payable under accidental death or other special provisions.

Family policy A life insurance policy providing insurance on all or several family members in one contract. It generally provides whole life insurance on the principal breadwinner and small amounts of term insurance on the spouse and children, including those born after the policy is issued.

Fiduciary A person or organization authorized to control or manage pension assets to administer a pension plan. Fiduciaries are legally obligated to discharge their duties solely in the interest of plan participants and beneficiaries, and are accountable for any actions that may be construed by courts as breaching that trust.

Fixed annuity A deferred annuity contract in which the life insurance company credits a fixed rate of return on premiums paid or an immediate annuity in which the periodic amount is fixed.

Flexible premium policy or annuity A life insurance policy or annuity contract that allows the amount and frequency of premium payments to be varied.

401(k) plan An employment-based retirement savings plan that allows employees to make tax-deferred contributions from current earnings.

403(b) plan A retirement savings plan, similar to a 401(k), for employees of charitable and educational organizations.

457 plan A retirement savings plan, similar to a 401(k), for employees of state and municipal governments.

Fraternal life insurance Life insurance provided by fraternal orders or societies to their members.

Fraud Intentional lying or concealment by policyholders to obtain payment of an insurance claim that would otherwise not be paid, or lying or misrepresentation by the insurance company managers, employees, agents, and brokers for financial gain.

G

General account An undivided account in which life insurers record all incoming funds. A general account is usually an insurer's largest, although separate accounts can also be used to fund specific liabilities as well.

Grace period A period of usually a number of days following each insurance premium due date except the first, during which an overdue premium may be paid and the policy be maintained. All policy provisions remain in force during this period.

Group annuity A pension plan providing annuities at retirement to a group of people under a master contract, usually issued to an employer for the benefit of employees. Each group member holds a certificate as evidence of his or her annuity.

Group life insurance Life insurance on a group of people, usually issued to an employer for the benefit of employees. Each group member holds a certificate as evidence of his or her insurance.

Guaranteed interest contract (GIC) A contract offered by an insurance company guaranteeing a rate of return on assets for a fixed period, and payment of principal and accumulated interest at the end of the period. GICs sometimes are used to fund the fixed-income option in defined contribution plans, such as 401(k)s.

I

Immediate annuity An annuity contract in which periodic payments begin immediately or within one year of the policy's issue.

Indemnity reinsurance A form of reinsurance in which the risk is passed to a reinsurer, which reimburses the ceding company for covered losses. The ceding company retains its liability to and contractual relationship with the insured.

Individual life insurance Paid by an individual and is payable upon death. Premiums can be paid annually, semiannually, quarterly, or monthly.

Individual policy pension trust A type of pension plan frequently used for small groups and administered by trustees authorized to purchase individual level-premium policies or annuity contracts for each plan member. The policies usually provide both life insurance and retirement benefits.

Individual retirement account (IRA) An account to which a person can make annual contributions of earnings up to a specified dollar limit. These contributions are tax-deductible for workers who are not covered by an employment-based retirement plan, regardless of income, or whose income does not exceed certain taxable income levels.

Insolvency Insurer's legal inability to pay its future policyholder obligations. Insurance insolvency standards and the regulatory actions taken vary from state to state. Typically, the first indications of an insurer's financial stress are its inability to pass the financial tests regulators routinely administer.

Institutional investor An organization such as a bank or insurance company that buys and sells large quantities of securities.

Insurable Interest This doctrine requires that a person or company be in a position to suffer monetary loss before they can purchase life insurance on another person's life, or property insurance on another's property. The interest must exist at the time the insurance contract is issued.

Insurable risk Risks for which it is relatively easy to get insurance. Such risks meet certain criteria including being definable, accidental in nature, and part of a group of similar risks large enough to make losses predictable. Such conditions make it possible for an insurer to offer insurance at a reasonable rate.

Insurance A system to make coverage of large financial losses affordable by pooling the risks of many individuals or business entities and transferring them to an insurance company in return for a premium.

Insurance examiner The state insurance department representative assigned to conduct the official audit and examination of an insurance company's operations.

Insured The person on whose life an insurance policy is issued. Also known as insured life.

Interest maintenance reserve (IMR) A reserve that captures all realized, interest-related capital gains and losses on fixed-income assets. These gains and losses are amortized into income over the remaining life of the investment sold.

J **Joint and survivor annuity** An annuity in which payments are made to the owner for life and, after the owner's death, to the designated beneficiary for life.

K **Keogh (H.R. 10) account** A retirement savings account to which a self-employed person can make annual tax-deductible contributions, subject to limitations.

L **Lapsed policy** An insurance policy terminated at the end of the grace period because of nonpayment of premiums. See non-forfeiture value.

Legal reserve life insurance company A life insurer operating under state insurance laws that specify the minimum basis for reserves that the company must maintain on its policies.

Level premium life insurance Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during earlier years of the policy and less than the actual cost in later years. The initial overpayments build a reserve which, together with interest to be earned, balances the underpayments of later years.

Life annuity An annuity contract that provides periodic income payments for life.

Life expectancy The average years of life remaining for a group of persons of a given age, according to a mortality table.

Life insurance in force The sum of face amounts and dividend additions of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are excluded.

Limited payment life insurance Whole life insurance on which premiums are payable for a specified number of years, or until death if it occurs before the end of the specified period.

Long-term care insurance Insurance that provides financial protection for persons who become unable to care for themselves because of chronic illness, disability, or cognitive impairment such as Alzheimer's disease.

Lump-sum distribution The non-periodic withdrawal of money invested in an annuity.

M **Malpractice insurance** Professional liability coverage for physicians, lawyers, and other specialists against lawsuits alleging negligence or errors and omissions that have harmed their clients.

Managed care An arrangement between an employer or insurer and selected providers to provide comprehensive health care at a discount to members of the insured group and coordinate the financing and delivery of health care. Managed care uses medical protocols and procedures agreed on by the medical profession to be cost effective. These protocols are also known as *medical practice guidelines*.

Master policy A policy issued to an employer or trustee establishing a group insurance plan for designated members of an eligible group.

Mediation Legal procedure in which a third party or parties attempts to resolve a conflict between two other parties. Mediation can be binding or non-binding.

Medicaid A federal and state public assistance program created in 1965 and administered by the states for people whose income and resources are insufficient to pay for health care.

Medicare Federal program for people sixty-five years or older that pays part of the costs associated with their health care such as hospital stays, surgery, home care and nursing care.

Mortality and expense charge The fee for a guarantee that annuity payments will continue for life.

Mortality table A statistical table showing the death rate at each age, usually expressed per thousand.

Mutual life insurance company A life insurance company without stockholders whose management is directed by a board elected by the policyholders. Mutual companies generally issue participating insurance.

N

Non-forfeiture value The value of an insurance policy if it is cancelled or required premium payments are not paid. The value is available to the policyholder either as cash or reduced paid-up insurance.

Non-medical limit The maximum face value of a policy that a given company will issue without a medical examination of the applicant.

Nonparticipating policy A life insurance policy under which the company does not distribute to policyholders any part of its surplus. Premiums usually are lower than for comparable participating policies. Some nonparticipating policies have both a maximum premium and a current lower premium, which reflects anticipated experience more favorable than the company is willing to guarantee. The current premium may change from time to time for the entire block of business to which the policy belongs. See *participating policy*.

Nonproportional reinsurance A form of reinsurance in which the reinsurer's liability depends on the number or amount of claims incurred in a given period.

- O**
- Operating expenses** The cost of maintaining a business, including property, insurance, taxes, utilities and rent, but excludes income tax, depreciation, and other financing expenses.
- Options** Contracts that allow, but do not oblige, the buying or selling of assets at a certain date at a set price.
- Ordinary life insurance** A life insurance policy that remains in force for the insured's lifetime, usually for a level premium. Also referred to as whole life insurance. In contrast, term life insurance only lasts for a specified number of years (but may be renewable).
- P**
- Paid-up insurance** Insurance on which all required premiums have been paid; frequently refers to the reduced paid-up insurance available as a nonforfeiture option.
- Partial disability benefit** A benefit sometimes found in disability income policies providing payment of reduced monthly income if the insured cannot work full time or is unable to earn a specified percentage of predisability earnings due to a disability.
- Participating policy** A life insurance policy under which the company distributes to policyholders the part of its surplus that its board of directors determines is not needed at the end of the business year. Such a distribution reduces the premium that the policyholder had paid. See policy dividend and nonparticipating policy.
- Pensions** Programs to provide employees with retirement income after they meet minimum age and service requirements. Life insurers hold some of these funds. Over the last 25 years, the responsibility of funding these retirement accounts has shifted from the employers (who offered defined benefit plans promising a specific retirement income) to employees (who now have defined contribution plans that are financed by their own contributions and not always matched by employers).
- Permanent life insurance** Generally, insurance that can stay in force for the life of the insured and accrues cash value, such as whole life or endowment. May also be referred to as ordinary life insurance.
- Policy** The printed document that a company issues to the policyholder, which states the terms of the insurance contract.
- Policy dividend** A refund of part of the premium on a participating life insurance policy, reflecting the difference between the premium charged and actual experience.
- Policyholder/Policy owner** The owner of an insurance policy, who may be the insured, a relative of the insured such as a spouse, or a nonnatural person such as a partnership or corporation.
- Policy illustration** A depiction of how a life insurance policy will work, showing premiums, death benefits, cash values, and information about other factors that may affect policy costs.

Policy loan The amount a policyholder can borrow at a specified rate of interest from the issuing company, using the insurance policy's value as collateral. If the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus accumulated interest, from the amount payable to beneficiaries.

Policy reserves The funds that a life insurance company holds specifically for fulfilling its policy obligations. Reserves are required by law to be calculated so that, together with future premium payments and anticipated interest earnings, they enable the company to pay all future claims.

Preferred risk A person considered less of a risk than the standard risk.

Premium The payment, or one of the periodic payments, that a policyholder makes to own an insurance policy or annuity.

Premium loan A policy loan for paying premiums.

Proportional reinsurance A form of reinsurance in which the amount ceded is defined at the point the risk is transferred, not at the point of claim. The amount of risk may vary with time by formula.

Q **Qualified plan** An employee benefit plan that meets Internal Revenue Code requirements. Employer contributions to such plans are immediately deductible. Contributions to and earnings in such plans are not included in the employee's income until distributed to the employee. Also known as tax-qualified plan.

R **Rated policy** An insurance policy issued at a higher-than-standard premium rate to cover extra risk, as when the insured has impaired health or a hazardous occupation. Also known as extra-risk policy.

Reduced paid-up insurance A form of insurance available as a nonforfeiture option providing for continuation of the original insurance plan at a reduced amount.

Reinstatement The restoration of a lapsed insurance policy. The company requires evidence of insurability and payment of past-due premiums plus interest.

Reinsurance The transfer of some or all of the insurance risk to another insurer. The company transferring the risk is called the ceding company; the company receiving the risk is called the assuming company or reinsurer.

Reinsure To transfer the risk of potential loss from one insurer to another insurer.

Renewable term insurance Term insurance that can be renewed at the end of the term, at the policyholder's option and without evidence of insurability, for a limited number of successive terms. Rates increase at each renewal as the insured ages.

Reserve The amount required to be carried as a liability on an insurer's financial statement to provide for future commitments under policies outstanding.

Retrocede To cede insurance risk from one reinsurer to another reinsurer.

Retrocessionaire A reinsurer that contractually accepts from another reinsurer a portion of the ceding company's underlying risk. The transfer is known as a retrocession.

Return-to-work program A program that helps persons with activity limitations return to work. Assistance may involve maximizing medical improvement to diminish the effect of limitations, or facilitating job or job-site accommodations, retraining, or other means of taking activity limitations into account.

Rider An amendment to an insurance policy that expands or restricts the policy's benefits or excludes certain conditions from coverage. See *accelerated death benefit* and *accidental death benefit*.

Risk-based capital (RBC) Method developed by the National Association of Insurance Commissioners to measure the minimum amount of capital that an insurance company needs to support its overall business operations. RBC sets capital requirements that consider the size and degree of risk taken by the insurer and presumes that stakeholders will still receive limited payment should insolvency occur. RBC has four components:

Asset risk Determines an asset's default of principal or interest, or fluctuation in market value, as a result of market changes.

Credit risk Measures the default risk on amounts due from policyholders, reinsurers, or creditors.

Off-balance-sheet risk Measures the risk from excessive growth rates, contingent liabilities, or other items not reflected on the balance sheet.

Underwriting risk Calculates the risk from underestimating liabilities from business already written, or inadequately pricing current or prospective business.

Risk classification The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of persons insured—their age, occupation, gender, and health status, for example—and how the resulting rules are applied to individual applications. See *underwriting*.

Roth IRA An individual retirement account (IRA) in which earnings on contributions are not taxed at distribution, as long as the contributions have been in the account for five years and the account holder is at least age 59 1/2, disabled, or deceased. Contributions to a Roth IRA are not tax-deductible.

S

Self-insured plan A retirement plan funded through a fiduciary—generally a bank but sometimes a group of people—which directly invests the accumulated funds. Retirement payments are made from these funds as they fall due. Also known as trustee plan or directly invested plan.

Separate account An asset account maintained independently from the insurer's general investment account and used primarily for retirement plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.

Settlement options The several ways, other than immediate payment in cash, that a policyholder or beneficiary may choose to have policy benefits paid. See *supplementary contract*.

Standard risk A person possessing an average likelihood of loss.

Stock life insurance company A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies generally issue nonparticipating insurance.

Straight life annuity An annuity whose periodic payouts stop when the annuitant dies.

Straight life insurance Whole life insurance on which premiums are payable for life.

Structured settlement An agreement allowing a person who is responsible for making payments to a claimant to assign to a third party the obligation of making those payments. An annuity contract is often used to make structured settlement payments.

Substandard risk A person who cannot meet the normal health requirements of a standard insurance policy. Protection is provided under a waiver, special policy form, or higher premium charge. Also known as impaired risk.

Supplementary contract An agreement between a life insurance company and a policyholder or beneficiary in which the company retains the cash sum payable under an insurance policy and makes payments according to the settlement option chosen.

Surplus The remainder after an insurer's liabilities are subtracted from its assets. The financial cushion that protects policyholders in case of unexpectedly high claims.

T

Term-certain annuity An annuity which makes periodic payments over a fixed number of years. See *annuity certain*.

Term insurance Insurance that covers the insured for a certain period of time, known as the term. The policy pays death benefits only if the insured dies during the term, which can be one, five, ten or even twenty years.

Terminal funded group plans The reserves under an annuity contract for benefits accumulated outside of the contract, such as under a defined benefit retirement plan that has been terminated.

Third-party administrator Outside group that performs administrative functions for an insurance company.

Title insurance Insurance that indemnifies real estate owners in case clear ownership of the property is challenged by the discovery of faults in the title.

Tort A legal term denoting a wrongful act resulting in injury or damage on which a civil court action or legal proceeding may be based.

Total disability The inability of a person to perform all essential functions of his or her occupation, or in some cases any occupation, due to a physical or mental impairment.

U

Umbrella policy Coverage for losses beyond the limits of underlying property-casualty, homeowners, or auto insurance policies. While the umbrella applies to losses over the dollar amount in underlying policies, coverage terms are sometimes broader than those specified in the underlying policies.

Unallocated contract A contract under which premiums and contributions are deposited to a fund, rather than used immediately, to purchase annuities for benefit plan participants.

Underwriting The process of classifying applicants for insurance by identifying such characteristics as age, gender, health, occupation, and hobbies. People with similar characteristics are grouped together and charged a premium based on the group's level of risk.

Uninsurable risk Risks for which insurance coverage may not be available.

Universal life insurance A type of permanent life insurance that allows the insured, after the initial payment, to pay premiums at various times and in varying amounts, subject to certain minimums and maximums. To increase the death benefit, the insurance company usually requires the policyholder to furnish satisfactory evidence of continued good health. Also known as *adjustable life insurance*.

V

Variable annuity A contract in which the premiums paid are invested in separate accounts which holds funds, including bond and stock funds. The selection of funds is guided by the level of risk assumed. The account value reflects the performance of the funds that the owner has chosen for investment.

Variable life insurance A type of permanent insurance providing death benefits and cash values that vary with the performance of a portfolio of investments. The policyholder may allocate premiums among investments offering varying degrees of risk, including stocks, bonds, combinations of both, and accounts that guarantee interest and principal.

Variable-universal life insurance A type of permanent insurance that combines the premium flexibility of universal life insurance with a death benefit that varies as in variable life insurance. Excess interest credited to the cash value depends on the investment results of separate accounts investing in equities, bonds, real estate, and others. The policyholder selects the accounts to which premium payments are made.

Vesting The right of an employee to all or a portion of the benefits he or she has accrued, even if employment terminates. Employee contributions, as in a 401(k) plan, always are fully vested. Employer contributions vest according to a schedule defined by the plan and are usually based on years of service.

Viatical settlement companies Life insurance companies that purchase life insurance policies at a discounted value from a policyholder who is elderly or terminally ill. The companies then assume the premium payments and collect the face value of the policy upon the death of the person originally insured.

Void When an insurance policy is freed from legal obligations for reasons specified in the policy contract (i.e., a policy could be voided by an insurer if information given by a policyholder is proven untrue).

W

Waiver of premium A provision that sets conditions under which an insurance company would keep a policy in full force without the payment of premiums. The waiver is used most frequently for policyholders who become totally and permanently disabled.

Whole life insurance The most common type of permanent life insurance, in which premiums generally remain constant over the life of the policy and must be paid periodically in the amount specified in the policy. Also known as ordinary life insurance.

Workers compensation Insurance that pays for medical care related to on-the-job injuries and physical rehabilitation. Workers compensation helps cover lost wages while an injured worker is unable to work. State laws vary widely on benefit amounts paid and other compensation provisions.



HISTORIC DATES

(AS OF OCTOBER 2018)

- 1759** The first life insurance company in the United States—The Corporation for Relief of the Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers—is established in Philadelphia by the Synod of the Presbyterian Church.
- 1769** Benjamin Franklin said: “A policy of life assurance is the cheapest and safest mode of making certain provision for one’s family. It is time our people understood and practiced more generally life assurance. Many a widow and orphan have great reason to be thankful that the advantage of life assurance was understood and embraced by the husband and father. A large amount has been paid... to widows and orphans when it formed almost their only recourse.”
- 1777** The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers voted to lend the Continental Loan Office 5,000 pounds, which amounted to over half the Corporation’s total reserves. This loan was used to finance the war effort of the Continental Army during the American Revolution.
- 1789** Professor Edward Wigglesworth of Harvard prepares a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the United States.
- 1794** The Insurance Company of North America is chartered as the first general insurance company to sell life insurance in America. In five years, only six policies are issued, and the company discontinues its life insurance business in 1804.
- 1812** The Pennsylvania Company for Insurance on Lives and Granting Annuities is incorporated, the first corporation to be organized in America solely for issuing life insurance policies and annuities. The first policy is issued in 1813. The company discontinues issuing life policies in 1872.
- 1830** New York Life Insurance and Trust Company, the first American life insurance company to employ agents, is started. The company later discontinues its life insurance business and subsequently is merged with the Bank of New York.
- 1835** A charter is granted to New England Mutual Life Insurance Company of Boston—the first to a mutual company in America. The company begins operating in December 1843.

- 1836** The Girard Life Insurance, Annuity and Trust Company of Philadelphia is established on the new principle of granting policyholders participation in profits. The first policy dividends are allotted in 1844 as additions of insurance to policies in force three or more years. Initially a stock company, the insurer later becomes a trust company.
- 1840** The New York Legislature passes a bill providing that the proceeds of a policy made out to a widow as beneficiary must be paid to her, exempt from creditors' claims. Enacted into law, this measure strengthens the protective power of life insurance policies.
- 1842** The Mutual Life Insurance Company of New York is chartered. The company's first policy is issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.
- 1848** The first policy loans are granted.
- 1849** New York passes the first general insurance law.
- 1851** New Hampshire establishes the first regulatory body to examine the affairs of insurance companies.
- 1853** Policy valuation tables, which Elizur Wright developed over nine years, are published.
- 1857** New York City establishes a pension fund for its policemen, the first pension plan covering state or local government employees.
- 1859** New York establishes the first state insurance department.
- 1861** Massachusetts is the first state to require nonforfeiture values as part of life policies.
- The first war risk insurance is written by life insurance companies during the Civil War.
- 1864** The Manhattan Life Insurance Company is the first U.S. company to write an incontestable clause into a policy.
- 1866** The Treasury Department rules that death benefits from a life insurance policy are not subject to an income tax enacted in 1862 to fund the Civil War.
- 1868** The American Experience Table of Mortality is published as part of a New York law. Covering experience from 1843 to 1858, it remains the table most widely used by American companies until the 1940s.
- 1869** The U.S. Supreme Court holds insurance not to be a transaction in commerce, and affirms the validity of state regulation of insurance.
- The earliest organization of life insurance agents is recorded in Chicago.

- 1871** The first convention of state insurance commissioners is held in New York City.
- 1873** The first weekly premium policy is issued in the United States.
- 1875** The industrial insurance agency system is introduced in the United States.
The first pension plan in U.S. industry is established by the American Express Company, financed solely by the employer.
- 1880** The first formal pension plan supported jointly by employer and employee contributions is established by the Baltimore & Ohio Railroad Company.
Cash surrender values are first established by law in Massachusetts.
- 1892** Columbia University adopts a pension plan for its professors, the first private college retirement plan, effective at age 65 with a minimum of 15 years' service.
- 1893** The first pension plan for public school teachers is established in Chicago.
- 1901** Carnegie Steel Company establishes the first enduring pension plan in a manufacturing company. This plan, with some modifications, is taken over by the United States Steel Company in 1911.
- 1905** The first functioning trade union pension plan is established by the Granite Cutters. Earlier trade union plans, set up by the Pattern Makers (1900) and National Association of Letter Carriers (1902), never paid benefits before dissolution.
The Armstrong investigation of life insurance by the New York Legislature results in many changes in insurance laws.
- 1911** The first group life insurance for employees is introduced.
- 1913** Modern tax code enacted: maintains public policy of exempting benefits from a life insurance policy.
- 1917** Government-sponsored life insurance for World War I servicemen is offered under the War Risk Insurance Act. This program subsequently becomes known as U.S. Government Life Insurance.
- 1920** Congress creates the Federal Civil Service Retirement and Disability Fund.
- 1921** Metropolitan Life Insurance Company issues the first group annuity contract in the United States.
The Revenue Act makes employer contributions to profit-sharing trusts tax-exempt. Its provisions are extended to pension trusts in 1926.
- 1928** The first examinations are held for chartered life underwriters.

- 1935** The Social Security Act is enacted.
- The Railroad Retirement System is established. It is amended in 1937 to create a unified system for the industry.
- 1939** The temporary National Economic Committee begins an investigation of the life insurance business.
- 1940** Congress adopts the National Service Life Insurance Act, providing insurance for men and women in service in World War II.
- 1941** New York forms the first state guaranty association mechanism for life and health insurance companies.
- 1944** The U.S. Supreme Court holds that insurance is commerce, and that when conducted across state lines, it is interstate commerce and subject to federal laws.
- 1945** The McCarran-Ferguson Act declares that state regulation of insurance is in the public interest and grants an exemption from antitrust laws to the extent that the business is regulated by state law.
- 1949** The U.S. Supreme Court rules that employers are required to bargain on pensions.
- 1952** The College Retirement Equities Fund is established as the first variable annuity fund.
- 1954** The Participating Annuity Life Insurance Company offers the first variable annuity contracts to the general public.
- The Federal Employees' Group Life Insurance Act is introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the U.S. government through private insurance companies.
- 1959** Arkansas is the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.
- Early 1960s** Most states now have laws specifically allowing life insurance companies to maintain separate accounts, freeing pension fund investments from some of the limitations applied to companies' general accounts.
- 1962** H.R. 10 (Keogh Act), officially known as the Self-Employed Individual Retirement Act, is adopted.
- 1963–64** The Securities and Exchange Commission rules that separate account acquisitions are an issuance of securities subject to regulation under the Securities Act, but tax-qualified group pension plans, including variable annuities, are exempted from the act's registration and prospectus requirements.

- 1965** The Servicemen's Group Life Insurance Act is introduced, providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.
- 1974** The Employee Retirement Income Security Act (ERISA) is signed into law. ERISA primarily protects the benefits of participants in private plans, assures reasonable vesting provisions, and broadens the opportunity to set up plans for the self-employed and workers who have no private retirement plans.
- 1976** The first individual variable life insurance policy is issued in the United States.
- 1977** The first universal life insurance policy is issued in the United States.
- 1978** The Age Discrimination in Employment Act Amendments raise the mandatory retirement age from 65 to 70 for most private-sector and state and local government employees, and eliminate it for federal employees.
- 1981** The Economic Recovery Tax Act is signed into law. It allows all workers to claim tax deductions, within limits, for retirement savings; liberalizes tax deductions for retirement savings, interest, and dividend exclusions; and reduces or eliminates estate and gift taxes for most individuals.
- 1982** The Tax Equity and Fiscal Responsibility Act revises the life insurance company taxation formula and repeals the use of modified coinsurance in tax calculations; imposes a penalty tax on certain annuity withdrawals; places limitations on pension plan benefits; and imposes additional restrictions on certain plans.
- 1983** The U.S. Supreme Court decides in *Arizona Governing Committee for Tax-Deferred Annuity and Deferred Compensation Plans v. Norris* that employee retirement benefits based on contributions made after August 1, 1983, must be calculated without regard to the employee's gender.
- The Social Security Amendments increase Social Security taxes and make a portion of Social Security benefits taxable for high-income retirees; limit cost-of-living adjustments under some circumstances; make new federal employees, members of Congress, the president, and other federal officials subject to Social Security taxes; and gradually increase the retirement age to 67 by 2027.
- 1984** The Retirement Equity Act lowers the minimum age for vesting and participation in retirement plans; requires the spouse's written consent before joint and survivor coverage may be waived under pension plans; and requires payment of a survivor annuity if a vested participant dies before the annuity's starting date.
- The Tax Reform Act significantly changes the basis on which life insurance companies are taxed and includes universal life insurance within the definition of life insurance, preserving its positive tax treatment.

- 1985** Montana becomes the first state to forbid gender discrimination in the setting of premium rates for all types of insurance, effective October 1.
- 1986** The Tax Reform Act eliminates the tax deductibility of individual retirement account (IRA) contributions for highly paid persons covered by pension plans; reduces the maximum contribution to salary reduction [401(k)] plans; and limits the deductibility of interest paid on loans against corporate-owned life insurance policies.
- 1987** The Revenue Act establishes faster funding requirements for underfunded pension plans, a variable-rate Pension Benefit Guaranty Corp. premium, and a lower full-funding limitation for qualified plans.
- 1988** The Technical and Miscellaneous Revenue Act creates a new class of life insurance contract—in which policy loans and surrender payments are subject to taxation similar to that of deferred annuities—and increases the excise tax on excess pension assets upon termination of qualified plans.
- 1990** A significant federal tax is imposed on life insurers' deferred acquisition costs. It becomes known as the DAC tax.
- 1991** All 50 states and Puerto Rico now have life and health insurance company guaranty association mechanisms.
- 1993** The Omnibus Budget Reconciliation Act reduces the amount of annual compensation for calculating retirement benefits to \$150,000 from \$235,840.
- In *John Hancock v. Harris Trust and Savings Bank*, the U.S. Supreme Court rules that certain assets in John Hancock Life Insurance Company's general account are "plan assets" and that the company's actions regarding their management and disposition must be judged against ERISA's fiduciary standards.
- 1995** In *NationsBank v. Variable Annuity Life Insurance Company*, the U.S. Supreme Court rules that annuities are not a form of insurance under the National Bank Act, effectively allowing national banks to sell annuities without limitation.
- The Internal Revenue Service states in proposed regulations that bank-issued, hybrid CD-annuities are taxable to purchasers.
- 1996** The Small Business Job Protection Act (SBA) amends ERISA to clarify the U.S. Supreme Court's decision in *John Hancock v. Harris Trust and Savings Bank* and to protect insurers from lawsuits brought for past actions taken in good-faith reliance on government rules. SBA also contains a wide variety of pension simplification provisions and creates a new SIMPLE plan for small employers.

The Health Insurance Portability and Accountability Act (HIPAA) clarifies the tax treatment of long-term care and accelerated death benefits. HIPAA permits qualified long-term care insurance and services to be treated like accident and health insurance for tax purposes, and treats accelerated death benefits paid to terminally and chronically ill individuals as amounts paid by reason of the death of the insured under a life insurance contract.

1997 The Financial Services Agreement of the General Agreement on Trade in Services locks in liberalization measures in crucial world markets. Its framework reduces or eliminates government barriers that either prevent financial services from being freely provided across national borders or discriminate against firms with foreign ownership.

Section 408A of the Taxpayer Relief Act, beginning January 1, 1998, creates the Roth IRA, in which contributions are not deductible but qualified distributions are excluded from gross income.

1998 The Insurance Marketplace Standards Association (IMSA) is launched. The voluntary membership organization promotes high ethical standards in the sale of individual life insurance and individual annuity products through IMSA's Principles and Code of Ethical Market Conduct.

1999 The Gramm-Leach-Bliley Financial Services Modernization Act eliminates laws enacted during the Depression to restrict affiliations among insurers, banks, and securities firms. The act clarifies that insurance regulators oversee the insurance activities of all financial institutions and prohibits insurance underwriting in bank operating subsidiaries. The new law also prevents banking regulators from unilaterally broadening banks' insurance powers or circumventing the state insurance regulatory system; requires federal courts to grant equal deference to federal and state regulators in resolving insurance disputes; and permits a mutual life insurer to relocate if its state fails to enact a mutual holding company law.

2000 The Electronic Signatures in Global and National Commerce Act ensures that life insurers and their customers can transact business over the Internet by setting national standards and making electronic signatures and records legally binding.

Legislation granting permanent normal trade relations to China is enacted, setting the stage for China's accession to the World Trade Organization.

2001 The Economic Growth and Tax Relief Reconciliation Act, containing pension reform measures and retirement saving incentives, is signed into law. The act raises the limits on contributions to 401(k)-type retirement plans and IRAs, and indexes the limits for inflation; allows those 50 and older to make additional catch-up contributions to 401(k)-type plans and IRAs annually; shortens vesting schedules for 401(k) plans; eases rules on rolling over retirement savings among private-sector, public-sector, and nonprofits' plans; and reduces administrative requirements for small businesses that set up and maintain retirement plans.

The USA Patriot Act is signed into law, requiring life insurers and other financial institutions to establish anti-money-laundering programs with internal procedures and controls, a designated compliance officer, ongoing employee training, and independent audits.

- 2002** The Victims of Terrorism Tax Relief Act is enacted, protecting life insurers that issue structured settlement annuities from adverse tax treatment when a beneficiary transfers the stream of income from such an annuity to a third party.
- 2003** NAIC adopts the Senior Protection in Annuity Transactions Model Law.
- 2004** Congress passes and the President signs the Pension Funding Equity Act of 2004. The bill establishes a two-year temporary replacement for the 30-year Treasury interest rate and becomes effective January 1, 2005. Included in the bill is a permanent repeal of section 809 of the tax code, which affects mutual life insurance companies.
- 2005** Commissioners' 2001 Standard Ordinary Mortality Tables, (2001 CSO Tables), which had been previously adopted by the NAIC, were adopted by a majority of the states, thus putting them in effect for state regulatory purposes. These new tables replace the 1980 CSO Tables.
- 2006** Interstate Insurance Product Regulation Compact Commission was created to develop uniform standards for insurance products, to provide a central clearing house for regulatory review and to enhance cooperation and coordinate efforts between state insurance departments.
- Pension Protection Act of 2006 was signed into law by President Bush, strengthening the federal pension insurance system and expanding opportunities for Americans to achieve a secure retirement. The legislation makes permanent increased contribution limits to 401(k)s and IRAs; establishes defined-contribution auto-enrollment; encourages annuities as payout options in employer-sponsored retirement plans; and permits the combination of long-term care insurance and annuities.
- 2010** The Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) is signed into law creating a new Federal Insurance Office within the Department of Treasury. The Federal Insurance Office will be responsible for understanding and advising Congress and the administration on insurance-related issues and helping negotiate international regulatory equivalency agreements.
- 2011** Illinois Insurance Director Michael McRaith is appointed the first director of the new Federal Office of Insurance (FIO) created by the Dodd-Frank Act. He will report to and advise the Secretary of Treasury on all life insurance matters.
- Roy Woodall, Jr., was confirmed in September 2011, by the U.S. Senate, to serve as the first independent member with insurance expertise on the Financial Stability Oversight Council (FSOC).

- 2012** The Supreme Court upholds the health care reform law, its mandate for individual health care coverage and most of its other provisions. By this decision, the Court removed major uncertainties regarding health care reform in the U.S.
- The Federal Insurance Office (FIO) establishes the Federal Advisory Committee on Insurance (FACI), a fifteen member board tasked with advising the FIO Director on emerging insurance issues. The FACI convenes its first public meeting in March.
- 2013** The Federal Insurance Office (FIO) releases a report entitled *How To Modernize And Improve The System Of Insurance Regulation In The United States*. The report presents several recommendations of the FIO on how the U.S. system of insurance regulation can be updated for the 21st century.
- 2014** The Insurance Capital Standards Clarification Act of 2014 is signed into federal law. This act clarifies to the Board of Governors of the Federal Reserve that they are not required to apply Section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which relates to capital requirements on financial institutions, to regulated insurance entities.
- 2015/2016** A new way of calculating life insurance reserves was ushered into existence when the 42nd state adopted a revised Standard Valuation Law. The new method, called principle-based reserves (PBR), becomes effective for new policies issued on or after 1/1/2017, and relies more heavily on computer modeling and company-specific assumptions based on actual past experience.
- 2017/2018** The Tax Cuts and Jobs Act, signed into law by President Trump on December 22, 2017, represents the largest overhaul of the U.S. tax code since 1986. Among other things, the law generally benefited corporate taxpayers, including life insurers, by lowering the highest marginal corporate tax rate from 35 percent to 21 percent. However, the law also contained life insurance industry-specific provisions that will raise an additional \$24.6 billion in federal taxes from the industry over a 10 year period, according to estimates prepared by the Congressional Joint Committee on Taxation.



LIFE INSURANCE RELATED ORGANIZATIONS

(AS OF OCTOBER 2018)

■ **American Council of Life Insurers (ACLI)**

101 Constitution Avenue, NW, Suite 700
Washington, DC 20001-2133
(202) 624-2000
www.acli.com

Chairman: JoAnn Martin (Ameritas)

Chairman-Elect: Daniel Houston (Principal Financial Group)

President and Chief Executive Officer: Susan Neely

The American Council of Life Insurers (ACLI) is a Washington D.C.-based trade association that advocates on behalf of approximately 290 member companies dedicated to providing products and services that contribute to consumers' financial and retirement security. 90 million families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States.

■ **America's Health Insurance Plans (AHIP)**

www.ahip.org

AHIP is a trade association representing companies that finance and deliver health care and provide other health insurance products and services.

■ **American Academy of Actuaries**

www.actuary.org

The Academy is a public policy and communications organization representing actuaries in all practice specialties. It provides a liaison with federal and state governments, relations with other professions, dissemination of public information, and development of standards of professional conduct. It also develops standards of practice through the Actuarial Standards Board, an independent body within the academy. The Academy consists largely of members of the Casualty Actuarial Society, Conference of Consulting Actuaries, Society of Actuaries, and actuaries enrolled under ERISA. Membership criteria include experience and education standards.

■ **The American College**

www.theamericancollege.edu

The College offers professional certification and graduate degree distance-education to those seeking career growth in financial services. The College offers programs of study leading to the award of Chartered Life Underwriter (CLU), Chartered Financial Consultant (ChFC), Registered Health Underwriter (RHU), and Registered Employee Benefits Consultant (REBC) diplomas and professional designations. Grants a Master of Science in Financial Services degree through the Graduate School of Financial Sciences, and a Master of Management degree through the Richard D. Irwin Graduate School of Management. Accredited by the Middle States Association of Colleges and Schools' Commission on Higher Education.

■ **American Fraternal Alliance (AFA)**

www.fraternalalliance.org

The Fraternal Alliance is the association and voice of fraternal benefit societies, which provides education, guidance, standards, and information on best practices and governance.

■ **American Risk and Insurance Association (ARIA)**

www.aria.org

ARIA is a society of insurance educators and others interested in risk and insurance education and research.

■ **American Society of Pension Professionals & Actuaries (ASPPA)**

www.asppa.org

ASPPA educates pension actuaries, consultants, administrators, and other benefits professionals, and preserves and enhances the private pension system in developing a cohesive and coherent national retirement income policy. Offers an examination program for employee benefits professionals and represents the interests of its members before appropriate forums.

■ **Association of Home Office Underwriters (AHO)**

www.ahou.org

The mission of the AHO is to advance the knowledge of sound underwriting of life and disability insurance risks, toward which end it holds meetings, publishes papers and discussions, and promotes educational programs. The association also provides valuable information sharing and networking opportunities to its members.

■ **Conference of Consulting Actuaries**

www.ccactuaries.org

The Conference advances the quality of consulting practice, supports the needs of consulting actuaries, and represents their interests. Comprises consulting actuaries in all disciplines.

■ **Consumer Credit Industry Association (CCIA)**

www.cciaonline.com

CCIA is a national trade organization for insurers that underwrite consumer credit insurance in the areas of life, accident and health, property, and involuntary unemployment insurance. Acts to preserve, promote and enhance the availability, utility, and integrity of insurance and related products and services delivered in connection with financial transactions.

■ **Global Federation of Insurance Associations (GFIA)**

<http://www.gfiainsurance.org/en/>

GFIA is a non-profit association established to represent national and regional insurance associations that serve the general interests of life, health, general insurance and reinsurance companies and to make representations to national governments, international regulators, and others on their behalf.

■ **The Griffith Insurance Education Foundation**

www.griffithfoundation.org

The Foundation was founded at a major mid-western university to develop and support an insurance and risk management program. It promotes the teaching of risk management and insurance by colleges, universities, and other institutions of higher learning, and student participation in these programs, and offers education programs for public policy-makers on managing risks through insurance mechanisms.

■ **Health Insurance Association of America (HIAA)**

See America's Health Insurance Plans (AHIP).

■ **Insurance and Financial Communicators Association (IFCA)**

www.ifcaonline.com

IFCA is an international organization dedicated to the ongoing professional development of its members in life insurance and related financial services communications. The association operates on a volunteer basis and offers programs and activities for its members. IFCA's primary objective is to encourage and promote the exchange of experience and ideas through an extensive program of formal schools, workshops, seminars, newsletters, research studies, networking, international awards competition, and meetings.

■ **Insurance Accounting and Systems Association (IASA)**

www.iasa.org

IASA works to enhance individual, organizational, and industry effectiveness by facilitating the exchange of information and ideas among insurance-related professionals.

■ **Insurance Information Institute (III)**

www.iii.org

The mission of III is to improve public understanding of insurance. III provides definitive insurance information and statistics for government, media, educational institutions, and the public.

■ **Insured Retirement Institute (IRI)**

www.irionline.org

With over 350 members, IRI represents all segments of the annuity and variable life industry. It serves as a forum for the exchange of information, and provides the public, media, and industry with information on the benefits of annuities and related products.

■ **International Association of Insurance Supervisors (IAIS)**

www.iaisweb.org

The IAIS is a voluntary membership organization composed of insurance supervisors and regulators from around the world. The organization's goal is to create a consistent and effective system of global insurance regulation to promote policyholder protections and financial stability.

■ **International Claim Association (ICA)**

www.claim.org

ICA is composed of life and health insurance company officers and employees who handle their companies' claims function.

■ **Life Communicators Association**

See Insurance and Financial Communicators Association (IFCA).

■ **Life Insurers Council (LIC)**

www.loma.org/lic

A council of LOMA, LIC is an association of insurance companies that serve the basic insurance needs of the general public, including the underserved market, through various distribution methods by promoting standards of business conduct which are in the best interests of policyholders; representing its members by addressing legislative, regulatory and consumer issues; and promoting the interchange of experience and ideas for the betterment of the public and the insurance industry.

■ **LIMRA International, Inc.**

www.limra.com

LIMRA is a member-owned organization dedicated to meeting the marketing information needs of companies involved in marketing annuity, disability, health, life, mutual fund, and retirement savings products. LIMRA works to improve the efficiency of life insurance distribution through scientific management methods, serves as the principal source of industry sales and marketing statistics, conducts research, provides consulting and management educational services, and prepares a wide range of publications.

■ **LOMA (Life Office Management Association)**

www.loma.org

An international association through which more than 1,200 insurance and financial services companies from over 80 countries engage in research and educational activities to improve company operations. Members are involved in life and health insurance, managed care, annuities, pensions, banking, securities, and other financial services areas. LOMA is committed to working as partners with members worldwide to improve management and operations through quality employee development, research, information sharing, and related products and services.

■ **MIB Group, Inc.**

www.mib.com

Formerly the Medical Information Bureau, MIB is a nonprofit association founded by medical directors to provide a central information exchange for more than 600 member life insurance companies.

■ **MDRT**

www.mdr.org

MDRT (formerly Million Dollar Round Table) is composed of life insurance agents who consistently sell a predetermined amount of life insurance annually and maintain membership in the National Association of Insurance and Financial Advisors.

■ **National Association of Insurance Commissioners (NAIC)**

www.naic.org

NAIC is an organization of state insurance regulators from the 50 states, the District of Columbia and the four U.S. territories. NAIC functions as a regulatory support organization and serves the public interest by promoting uniformity of legislation and regulation, facilitating the fair and equitable treatment of insurance consumers, promoting the reliability, solvency and financial solidity of insurance institutions, and supporting and improving state regulation of insurance.

■ **National Association of Insurance and Financial Advisors (NAIFA)**

www.naifa.org

NAIFA is a national nonprofit organization representing the interests of more than 200,000 insurance and financial advisors nationwide, through its federation of over 600 state and local associations. NAIFA is the nation's largest financial services membership association. Promotes high ethical standards, supports legislation in the interest of policyholders and agents, participates in community service, and provides agent education seminars and sales congresses.

■ **National Association for Variable Annuities (NAVA)**

See Insured Retirement Institute (IRI)

■ **National Fraternal Congress of America (NFCA)**

See American Fraternal Alliance (AFA)

■ **National Organization of Life and Health Insurance Guaranty Associations (NOLHGA)**

www.nolhga.com

NOLHGA is a voluntary association comprised of the life and health insurance guaranty associations of all 50 states, the District of Columbia, and Puerto Rico. This nonprofit organization assists its members in handling multi-state insolvencies, coordinates their resolution, and provides a forum for resolving issues and problems related to the operation of state life and health insurance guaranty associations.

■ **Society of Actuaries (SOA)**

www.soa.org

SOA is an organization of skilled professionals applying mathematical and economic probabilities to financial security programs. Educates and qualifies candidates to become members, provides continuing education and professional development programs, promotes and publishes actuarial research, and maintains and enforces a professional conduct code for its members. The Society determines membership by successful completion of a rigorous set of examinations leading to the designation of Associate or Fellow in the society.

■ **Society of Financial Service Professionals (Society of FSP)**

www.societyoffsp.org

Society of FSP is an organization of professionals who have earned designations in the fields of insurance and financial services. The Society comprises agents, company executives, insurance regulators, educators, attorneys, certified public accountants, and bank trust officers, who participate in local chapters.

■ **S.S. Huebner Foundation for Insurance Education**

www.huebnerfoundation.org

The foundation's mission is to strengthen insurance education at the university level by increasing the number of professors specializing in insurance. The foundation makes fellowship grants for doctoral study and publishes research studies in the field of insurance.



AMERICAN COUNCIL OF LIFE INSURERS
101 Constitution Avenue, NW, Suite 700
Washington, DC 20001-21133
acli.com