

ACLI Submission Letter to Community Development & Infrastructure Working Group

In efforts to reform the tax Code, Congress should look to the life insurance industry as a partner that encourages families and businesses to plan for the long term and protect their financial and retirement security. The products that our policyholders use to build a personal safety net, including those provided through the workplace, are vital to a well-functioning society and, for millions of families, build on the floor of financial security that government programs provide. The protections and guarantees our products offer are not available from any other financial services companies.

When looking at community development and infrastructure in the U.S., it is important to note that the life insurance industry is a cornerstone of the U.S. economy, generating 2.5 million jobs and investing \$5.6 trillion to support economic expansion—one of the largest sources of investment capital in the nation. Just like families invest in life insurers' products for the long term, life insurers invest in American business for the long term—more than one-third of bonds held by life insurers' general account had a maturity of more than 20 years at the time of purchase. More than two-thirds had a maturity of more than 10 years. Life insurers also are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

The life insurance industry already bears a significant tax burden under current law and is impacted in a multi-dimensional way in tax reform.

- Life insurance and retirement savings products are taxed appropriately under current law. The savings that build up in life insurance, annuities and other retirement savings products do not escape taxation. They are taxed at ordinary income tax rates when people make withdrawals from their retirement savings or annuity, or cash in their life insurance policies if protection is no longer needed. Additionally, life insurance and annuity owners pay premiums with after-tax dollars.
- Life insurers account for 1.7 percent of corporate profits, but pay 2.5 percent of corporate sector tax revenue.
- Tax reform has a layered impact on life insurers because general corporate, insurance-specific, investment, and international tax provisions apply to our companies, and individual provisions relate to our products and retirement savings. These interrelationships and their cumulative effects must be acknowledged as tax reform is considered.

Life insurers make long-term promises that are a function of investment performance and underwriting success over time. Subchapter L provisions do a reasonably accurate job measuring life insurers' income. If changes are contemplated to insurance-specific provisions, the industry must be involved in these deliberations.

The nature of insurance company product design means that given the long-term contractual and pricing constraints of current contracts, the burden of changes to the tax Code falls disproportionately on future policyholders and customers, including business owners providing employee benefits and protections

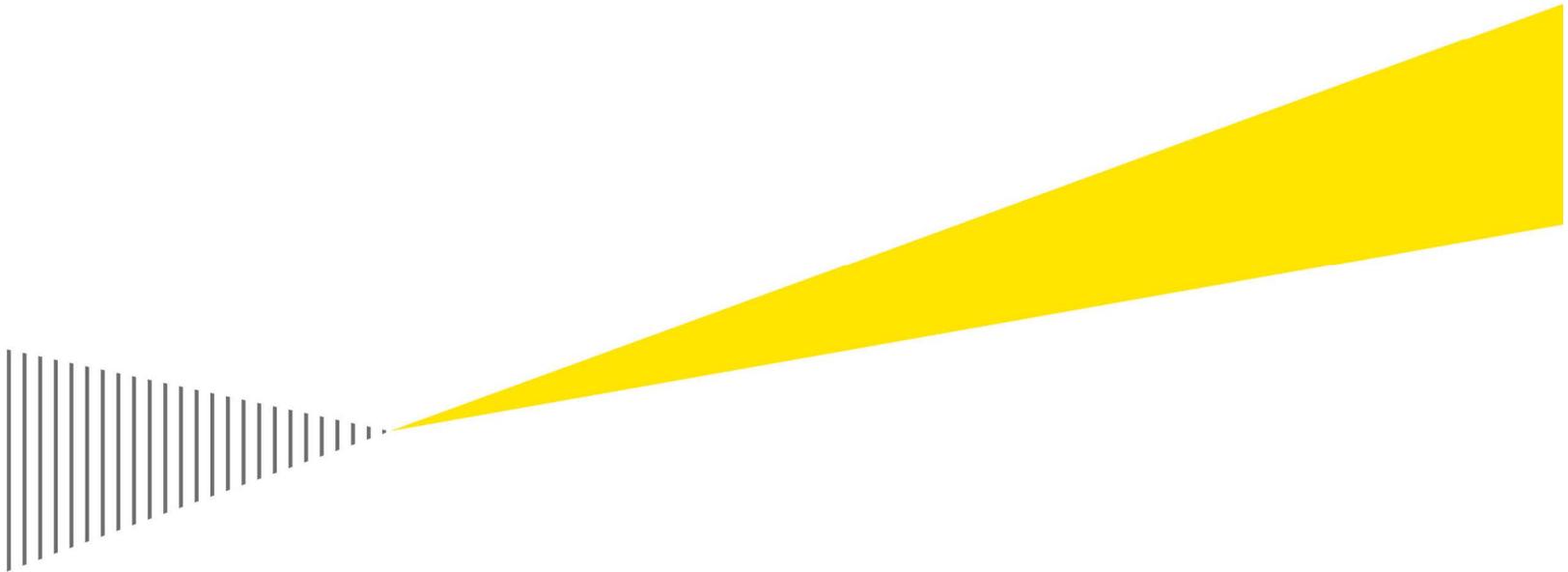
through products. Changes to the tax treatment of either products or life insurance companies would affect the availability and affordability of our products at the very point in time that private sector protections and guarantees are needed most to backstop strained public safety nets.

Attached are additional materials specific to the Working Group on Community Development & Infrastructure and ask that you consider these overarching themes here as you address reforms related to our industry. Life insurers are exploring with state and federal policymakers ways our investments can help them address our nation's infrastructure challenges. The long-term nature of our promises to policyholders mirrors our commitment to long-term investment in the U.S.

April 15, 2015

Contributions of the life insurance industry to the US economy: **Financial protection of families, employment and household income, and long-term capital investments**

February 2014



EY

Building a better
working world

Executive summary

The life insurance industry makes significant contributions to the US economy and the financial protection of American families. The life insurance industry provides financial protection for individuals and families against the consequences of untimely death, longevity, disability and long-term care needs. The life insurance industry also provides products to protect retirees from exhausting their financial assets. The life insurance industry contributes to the well-being of employees in the life insurance and other industries by providing a large number of well-paid insurance jobs, creating indirect employment in other industries in each state and across the nation. The life insurance industry also makes significant long-term investments in the US capital markets.

The American Council of Life Insurers asked EY to analyze the multiple contributions of the life insurance industry to the US economy and American families.

Key findings for the life insurance industry's contribution to the financial protection of American families include:

- 75 million American households have life insurance or annuity coverage through life insurance companies.
- The life insurance industry provides financial assistance to families experiencing major life events. In 2010, the industry paid \$365 billion to policyholders covered by life insurance and annuity policies.
- Life insurance provides a significant cushion against the financial impact of the untimely death of an income earner. The face value of life insurance policies in 2010 totaled \$18 trillion.
- Studies have shown that without life insurance, the untimely death of an income earner will significantly increase the risk of a family falling into poverty.
- Only four percent of the children in households without life insurance have financial assets equal to at least 12 months of household income, while 82 percent of the children in households with life insurance have protection through life insurance coverage equal to or greater than one year of household income, according to analysis of the Federal Reserve Board's 2007-2009 Panel Survey of Consumer Finances.
- Annuities offered by the life insurance industry are the only product to protect against outliving one's assets. Guaranteed annuity payments during retirement are an important supplement to Social Security.
- Innovations in the industry have expanded life insurance products to include accelerated death benefits and protection against disability as well as long-term care coverage.

- In 2007 the life insurance industry provided 4.1 million disability policies and 4.6 million long term care insurance policies.
- Without life insurance and annuity products more individuals and households will need to rely on other family members for financial support or the government social safety net. With life insurance and annuities, families can better maintain their standard of living and protect themselves against the financial risks of major life events.

Key findings for the life insurance industry's contribution to American families' jobs and household income include:

- The life insurance industry directly employed almost 800,000 persons as company employees or agents and created over \$162 billion of economic output from this employment during 2009.
- The industry accounted for an additional \$224 billion of economic output through the indirect employment of approximately 1.7 million persons in industries which support life insurance personnel.
- In total, the economic activity of the life insurance industry accounted for almost three percent of US gross domestic product, 2.5 million well-paying jobs, and nearly \$387 billion of economic output in 2009.

Key findings for the life insurance industry's contribution as long-term investors in the US capital markets include:

- The life insurance industry is one of the largest investors in US capital markets with total financial assets of approximately \$5 trillion at the end of 2009.
- The life insurance industry is the most significant single source of capital funding in the corporate bond market, accounting for 17 percent of total investment in 2009.
- The life insurance industry is a long-term investor with 62 percent of 2009 investment in corporate bonds having remaining maturities of 10 years or greater.
- Life insurance companies are a significant and reliable source of investment capital in the corporate equity and commercial mortgage markets accounting for 6 percent and 10 percent of investment respectively in 2009.

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Chapter 1 – Contributions of the life insurance industry to the financial protection of American families

No other industry provides financial protection against major life risks, such as the untimely death of an income earner, outliving one's assets in retirement, becoming disabled or having to pay the significant expenses of long-term care. Although the probability of these events occurring may be low for any individual family, the financial consequences of such unforeseen events can be dire.

Through the pooling of risk, the life insurance industry is able to shift the financial impact of these events away from the individual policyholder. Life insurance products are designed to provide protection against events with low probabilities but which involve significant costs if they occur. As shown below, the alternative of relying only on savings for financial protection to cushion the impact of these events is difficult, if not impossible, for most families.

The financial protection provided by the life insurance industry to American households covers all income and age groups. Table 1.1 shows that 75 million or 66 percent of American households have some form of financial protection from the life insurance industry.

Table 1.1 Proportion of households with life insurance protection and annuities by income group in 2009

| Household quintile income groups | | Percent with life insurance products | Number of households with life insurance products (in millions) |
|-------------------------------------|----------------------|---|--|
| Lowest Quintile | Under \$21,900 | 37% | 8 |
| Second Quintile | \$21,900— \$38,900 | 56% | 13 |
| Third Quintile | \$38,900 — \$62,800 | 68% | 15 |
| Fourth Quintile | \$62,800 — \$102,600 | 81% | 18 |
| Highest Quintile | \$ 102,600 and above | 89% | 20 |
| Total | | 66% | 75 |

Source: 2007-2009 Panel Survey of Consumer Finances

In 2010, life insurance industry products provided over \$365 billion in payments to beneficiaries. Table 1.2 shows that this total was divided between annuities (70 percent) and life insurance products (30 percent).

Table 1.2 Payments by life insurance companies to households by policy type in 2010

| Product line | Total payments (\$millions) | Percent of total payments |
|--------------------------------------|------------------------------------|----------------------------------|
| Annuities | 256,922 | 70% |
| Life insurance policies | 108,678 | 30% |
| Total payments to individuals | 365,599 | 100% |

Source: ACLI Fact Book, 2011

Unique financial protection products for major life risks: Life insurance

Life insurance protects against the financial loss resulting from the untimely death of an income earner or family member. The reduction in a household's financial well-being in the case of such an event can be significant. A leading academic study predicts that a surviving spouse's standard of living will fall, on average, by 44 percent without life insurance protection.¹

Life insurance is not only for the loss due to an income-earning family member. When the unforeseen event is the loss of a homemaker it can result in higher costs of living. The wide range of previously non-pecuniary services performed for a family by a homemaker could transform into additional expenses necessary to maintain a family's standard of living. Life insurance and disability protection can provide the means to pay for the provision of such services.²

To protect against the financial consequences of the loss of a household member, the industry provides two basic types of life insurance: term and permanent life policies. Term life insurance policies pay a fixed amount to beneficiaries upon the death of the insured, over a term typically ranging from one year to thirty years. Term life insurance premiums increase with the age of the insured while level-term life insurance premiums remain fixed over the term of the policy. In 2010, 39 percent of life insurance policies and 68 percent of the face amount of life insurance purchased were term insurance.³

Permanent life insurance, such as whole life, provides protection for the life of the policyholder. The savings component builds up a cash value to pay for the higher cost of life insurance in later years. Policyholders can access the cash value if they surrender the policy or borrow against the cash value. Life insurers have made whole life policies flexible with variable premiums and alternative investment choices for the cash value to meet the needs of different policyholders. In 2010, 61 percent of policies purchased were permanent life policies, accounting for 32 percent of the face amount of life insurance purchases.⁴

¹ Bernheim et. al. (2003a, 2003b). A study by Hurd and Wise (1981) found that 37 percent of widows who were not poor when their spouse was alive became poor upon the spouse's death, and a more recent study by Lin and Grace (2007) estimated that upon a spouse's death total financial and non-financial income would be 40 percent greater with life insurance than without.

² Lin and Grace (2007)

³ ACLI Fact Book, 2011

⁴ ACLI Fact Book, 2011

Table 1.3 shows that the total number of life insurance policies for individual and group life insurance in the United States was 261.3 million in 2010.⁵ Individual life plans insure one person underwritten on a person-by-person basis. Group life insurance covers individuals who participate in a group's insurance plan. These are underwritten on the basis of the whole group rather than on a person-by-person basis and are typically term policies that have contracts on behalf of members belonging to an organization such as an employer or union. Because coverage can be purchased directly or through employers, professional organizations or financial institutions, a person can own multiple policies. Almost two households in three, or 75 million, owned at least one life insurance policy in 2010. The total face value of life insurance outstanding was \$18.3 trillion in 2010.⁶

Table 1.3 Face amount and number of US life insurance policies in 2010

| Type of insurance | Life insurance in force | | Life insurance purchases | |
|-------------------|---------------------------|---------------------|---------------------------|---------------------|
| | Face amount (\$trillions) | Policies (millions) | Face amount (\$trillions) | Policies (millions) |
| Individual | \$10.5 | 151.8 | \$1.7 | 10.1 |
| Group | \$7.8 | 109.5 | \$1.1 | 18.5 |
| Total | \$18.3 | 261.3 | \$2.8 | 28.6 |

Source: ACLI Fact Book, 2011

Life insurance protection for families in the face of inadequate household savings

Not all life insurance benefits come from payments to beneficiaries. Life insurance provides an inherent level of security for a family even if the contingencies that the insurance is protecting against do not occur.

Until an insurance policy is exercised, a family maintains a level of financial protection afforded by the amount of life insurance they purchased. Like police and fire protection, this protection, used or unused, is still a benefit. It can be especially important for children as their lives can be dramatically affected by the loss of an uninsured parent. In 2009, there were 89.8 million children below the age of 20 in the United States of which 57 percent (50.8 million) benefitted from the assurance provided by life insurance policies.⁷

To quantify the amount of security provided by life insurance, this report measures the number of months that life insurance proceeds could substitute for household monthly income. The net value of the policies is defined to be the face value of all term and permanent policies held by a

⁵ ACLI Fact Book, 2011

⁶ 2007-2009 Panel Survey of Consumer Finances, Federal Reserve Board of Governors. [See also Table 1.3]

⁷ 2007-2009 Panel Survey of Consumer Finances, Federal Reserve Board of Governors.

family, net of any policy loans. A household's monthly income is the sum of income from all sources throughout the year divided by twelve.⁸

The financial protection afforded by life insurance to children (20 years and under) living in households with life insurance coverage is significantly greater than the protection afforded by financial assets held by households without life insurance.

Table 1.4 and Figure 1.1 compare the protection afforded to children in households with life insurance through the face value of their life insurance policies with the protection afforded to children in households without life insurance through financial assets. Among households with life insurance coverage, 82 percent of the children had household life insurance protection equal to or greater than the household's income for at least one year. Among households without life insurance coverage, only four percent of the children had protection through household financial assets equal to or greater than the household's income for at least one year.

Table 1.4 Length of time that life insurance or financial assets can sustain household income for children in 2009

| Length of time | Percentage of children in households with life insurance, where life insurance protection ⁹ exceeds household income for length of time | Percentage of children in households without life insurance, where financial assets ¹⁰ exceed household income for length of time |
|----------------|--|--|
| 1 month | 99% | 31% |
| 2 months | 98% | 20% |
| 3 months | 95% | 14% |
| 4 months | 94% | 12% |
| 5 months | 92% | 10% |
| 6 months | 91% | 8% |
| 1.0 year | 82% | 4% |
| 1.5 years | 74% | 3% |
| 2.0 years | 66% | 2% |
| 2.5 years | 59% | 1% |
| 3.0 years | 51% | 1% |
| 3.5 years | 44% | 1% |
| 6.0 years | 21% | 1% |

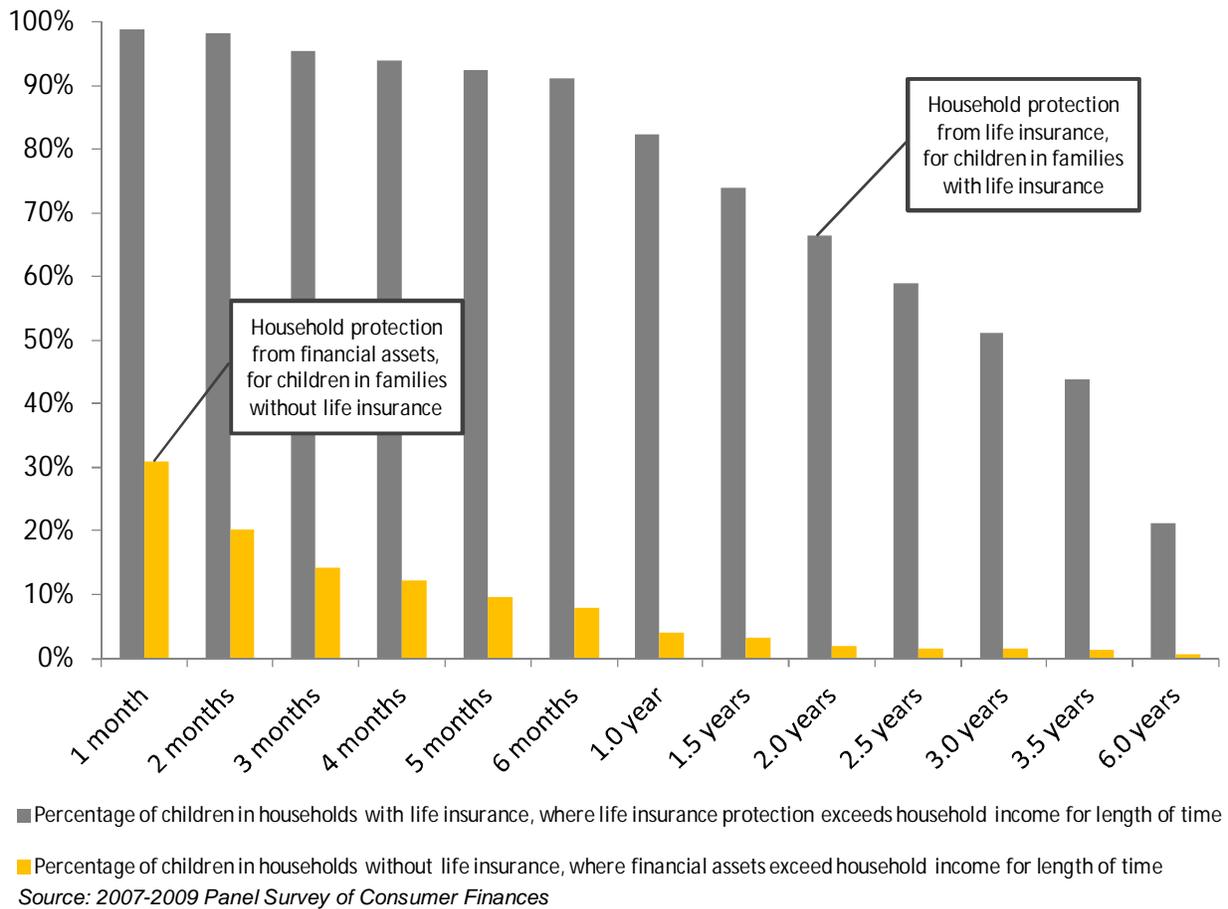
Source: EY analysis of Federal Reserve Board's 2007-2009 Panel Survey of Consumer Finances

⁸ This analysis used total income as reported in the 2007 Survey of Consumer Finances as an indicator of a family's living standard. The results presented here do not change if tax return adjusted gross income was used instead.

⁹ Life insurance coverage or protection is defined as the face values of all life insurance policies, net of policy loans.

¹⁰ Financial assets consist of liquid assets, certificates of deposit, directly held pooled investment funds, stocks, bonds, quasi-liquid assets, savings bonds, cash values of whole life insurance, other managed assets, and other financial assets.

Figure 1.1 Percentage of children afforded financial protection through life insurance and financial assets by length of time in 2009



Unique role life insurance companies play in financial protection against major life risks

Life insurance companies not only provide products that supplement households’ savings, but also protect against financial risks associated with untimely death and aging. Life insurance companies are better able to protect against these risks than individual households could on their own.

While the likelihood of untimely death or outliving one’s savings is highly uncertain for an individual, life insurance companies are able to predict with considerable accuracy the percentage of their policyholders that will experience these events. By pooling the risks of a large number of individuals and utilizing actuarial methods, life insurance companies can significantly reduce each individual’s financial risk, and the total financial risk of individuals in the pool. The result is that insurers can provide the same level of financial protection to an individual at a lower cost than an individual can provide himself.

A simple example can illustrate this benefit provided by life insurers. Assume that a 30-year old earning \$50,000 annually wants to provide \$200,000 of financial protection for her family in the event that she dies prematurely during the next 20 years. To do so, she would have to save \$6,715 (approximately 13.5 percent of her annual income) for the next 19 years, assuming an

annual after tax rate of return of four percent. During the intervening 19 years, the family would only be partially covered.

Alternatively, this family can be fully covered over each year with \$200,000 of 20-year term life insurance for an annual premium of \$300-\$900, depending on age, health, and other factors.¹¹ With a family income of \$50,000 per year, they could be insured for \$200,000 to partially offset the loss of the income earner for less than 1.8 percent (\$900/\$50,000) of their annual income. The ability to buy life insurance enables families to reduce their precautionary savings and increase their current standard of living.

Measures of the life insurance industry’s financial protection of households

Life insurance products can be a significant portion of a household’s financial security. The face value of life insurance represents on average 231 percent of household annual income, as shown in Table 1.5. Even among families in the lowest twenty percent of household income, the face value of life insurance amounts, on average, to more than two years of household income.

Table 1.5 Face value of life insurance policies relative to household assets and income for families with life insurance, by income group in 2009

| Household quintile income groups | | Face value of life insurance policies | |
|-------------------------------------|----------------------|--|------------------------------------|
| | | Relative to household assets | Relative to household income |
| Lowest Quintile | Under \$21,900 | 75% | 229% |
| Second Quintile | \$21,900 — \$38,900 | 115% | 157% |
| Third Quintile | \$38,900 — \$62,800 | 105% | 194% |
| Fourth Quintile | \$62,800 — \$102,600 | 149% | 265% |
| Highest Quintile | \$ 102,600 and above | 75% | 237% |
| Total | | 90% | 231% |

Source: 2007-2009 Panel Survey of Consumer Finances

For young households with life insurance, life insurance proceeds would be a substantial portion of their financial assets if the insured died. Table 1.6 shows that the face value of life insurance coverage is more than 256 percent of household income for households where the head of household is less than 55 years old, and between 78 and 203 percent where the head of household is 55 years old or more. As the number of dependents declines in households where the head is age 65 or greater, so does the amount of life insurance coverage, since the need for coverage is not as great.

¹¹ Isenberg et. al. (2006)

Table 1.6 Face value of life insurance policies relative to household assets and income by age in 2009

| Age of head of household | Face value of life insurance | |
|--------------------------|------------------------------|-----------------------------|
| | Percent of household assets | Percent of household income |
| Less than 35 | 528% | 260% |
| Over 35, less than 45 | 292% | 328% |
| Over 45, less than 55 | 119% | 256% |
| Over 55, less than 65 | 58% | 203% |
| Over 65, less than 75 | 23% | 117% |
| 75 or more | 16% | 78% |
| Total | 90% | 231% |

Source: 2007-2009 Panel Survey of Consumer Finances

Unique financial protection products for major life risks: Annuities

Annuities can protect against a reduced standard of living that result from using up one’s assets in retirement. With increasing longevity, this is becoming a more important issue. Defined benefit plans have an annuity-like component which makes them comparable to annuity vehicles in terms of lifetime income. A recent study found that 93 percent of middle-income married couples nearing retirement without coverage from a defined benefit pension plan could expect to outlive their financial assets,¹² compared to 57 percent of couples with defined benefit plans. To minimize the risk of outliving their assets, couples without a defined benefit retirement plan would need to reduce their standard of living during retirement by 51 percent of their pre-retirement level. Those with a defined benefit retirement plan could maintain a standard of living at 74 percent of their pre-retirement standard. With the decline in defined benefit pension plans, a greater number of persons could experience inadequate savings for retirement.

With life-contingent annuities, the policyholder is guaranteed payments over his or her lifetime. These annuities protect against the risk of outliving one’s assets. In combination with Social Security, annuities will be an increasingly important source of financial protection as the number of persons covered by defined benefit pension plans decreases. Table 1.7 below shows that fewer than ten percent of households headed by someone under the age of 65 have some form of private annuity; for the population past retirement age, the percentage with annuities increases. Many employer-provided pension plans have an annuity component that starts when the employee reaches retirement age. More than 55 percent of those who have worked during their lifetime receive pension income from their former employers, and annuities play an important role in how pension assets provide retirement income.¹³

Life insurance companies also offer alternative types of annuities to meet the financial needs of different households. There are annuities that begin paying benefits immediately and deferred

¹² Ernst & Young LLP (2008)

¹³ EBRI Notes (2007)

annuities which allow investments to accumulate before the payout period. Annuities can have a guaranteed payout amount where the life insurance company assumes some mortality risk (dying early), and assumes some investment risk with fixed payouts, or if based on the investment portfolio chosen by the annuitant with guaranteed minimum lifetime payments.

As shown in Table 1.2 above, annuity payments by life insurance companies totaled \$256 billion in 2010.¹⁴ These payments represent approximately 70 percent of payments by life insurance companies to individuals. Annuities are more likely to be held by households nearing or in retirement, where more than ten percent of households older than age 65 are covered by an annuity, as shown in Table 1.7 below.

Table 1.7 Proportion of households with life insurance protection and annuities by age in 2009

| Age of head of household | Any life insurance | With annuities |
|--------------------------|--------------------|----------------|
| Less than 35 | 52% | 1% |
| Over 35, less than 45 | 69% | 1% |
| Over 45, less than 55 | 71% | 4% |
| Over 55, less than 65 | 74% | 9% |
| Over 65, less than 75 | 65% | 10% |
| 75 or more | 62% | 17% |
| Total | 66% | 6% |

Source: 2007-2009 Panel Survey of Consumer Finances

A 2004 study illustrates the potential for much higher returns from annuity payments compared to self-annuitization for a 65-year old male.¹⁵ If an individual wanted to secure a fixed retirement income until 85, he could purchase an annuity or self-annuitize. With an investment of \$100,000 in a non-annuitized account earning the market rate of interest, he would be able to consume \$7,704 per year until 85 at which time there would be no money left in the account.¹⁶ However, 30 percent of males age 65 will live beyond 85 years of age. Instead, this individual could have purchased an annuity with a \$100,000 premium. A single premium immediate life annuity, for instance, would provide him with the same annual \$7,704 income for the rest of his life. A life annuity is an insurance product that pools resources across a large number of annuitants; this pooling of risks operates in the same manner as under any insurance contract. Therefore a life annuity can provide a higher level of sustainable income than other financial assets.

¹⁴ ACLI Fact Book, 2011

¹⁵ Jeffrey Brown (2004)

¹⁶ Jeffrey Brown (2004). The author uses an interest rate of 4.58 percent.

Unique financial protection products for major life risks: Disability insurance

Another major financial risk faced by families is the loss of income due to an unexpected disability from accident or disease. Disability can result in reduced ability to work, jeopardizing a family's income and savings as well as their standard of living. Disability insurance protects against the loss of income from an adverse event during a person's working years.

The probability of becoming disabled is more frequent than the probability of death. In 2005, eight percent of working-age Americans reported a chronic condition that affected their ability to work. Among disabled adult Americans, three out of five are unable to work, and two out of five are limited in their ability to work.¹⁷ Disability insurance protects against these risks by typically providing between 50 and 70 percent of pre-disability income when a person becomes disabled. In 2007, the number of disability insurance policies was 4.1 million, with a total annualized premium amount of \$4.7 billion.¹⁸

Unique financial protection products for major life risks: Long-term care insurance

Because Americans are living longer, they face an increasing risk of requiring long-term care in an assisted living or nursing care facility. Long-term care insurance protects against the financial risk from significant long-term care expenses. In 2008 this averaged \$3,000 per month for assisted living care and \$5,600 per month for nursing care.¹⁹ Over the past twenty years, the life insurance industry has developed long-term care insurance products to help meet these needs. In 2007, the number of long-term care insurance policies was 4.6 million, with a total annualized premium amount of \$8.1 billion.²⁰

Long-term care costs can quickly exhaust what might have been considered a reasonable amount of retirement savings and contribute significantly to the risk of outliving one's assets. Purchasing long-term care insurance can protect against these two major financial risks of one's later life and reduce the amount of retirement savings that is otherwise needed.

A world without life insurance products

Households facing a sudden loss of income due to the unexpected loss of a family member without life insurance often turn to relatives and friends for additional financial support. Elderly family members facing costly long-term care needs or exhausting their assets more rapidly than expected also often rely on family members for financial support. These situations impose significant burdens on families and their support is likely to be much less than the financial protection that could be provided through life insurance products.²¹

¹⁷ ACLI Fact Book, 2011

¹⁸ Isenberg (2007). In 2007, the amount of disability insurance paid out to Americans was almost as large as the amount of disability insurance in force, which may be due to disability payments being more unpredictable than other life insurance products on an annual basis.

¹⁹ "What Does Long term Care Cost?", US Department of Health and Human Services.

http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx

²⁰ Fischerkeller (2007). In 2007, the amount of long-term insurance paid out to Americans was close to \$4.9 billion.

²¹ Kotlikoff and Spivak (1981)

When the resources needed are not forthcoming from family members, these situations can result in an increased reliance upon the government or charity. In a world without life insurance products, individuals and families would be at much greater financial risk when experiencing an adverse life event.

Chapter 2 – Contribution of the US life insurance industry to US employment and household income

The US life insurance industry contributes to the lives of employees in the life insurance and other industries by providing a large number of well-paid insurance jobs, creating indirect employment in other industries in each state and across the nation.

Employment in the US life insurance industry

The US life insurance industry employed nearly 800,000 people in 2009, including more than 367,000 employees of life insurance carriers and nearly 424,000 life insurance agents and brokers.²² These life insurance employees accounted for 37 percent of the nearly 2,150,000 employees in the US insurance industry. Although life insurance employment only accounts for a portion of total US insurance industry employment, its size is significant compared to entire sectors of the US economy. As shown in Table 2.1, at 790,606 employees, the life insurance industry is roughly one-quarter the size of the information and banking sectors and more than one-half the size of the real estate sector, as measured by employment. Between 2006 and 2009, aggregate employment (all industries) fell by nearly 5 percent, while employment in the life insurance industry grew by nearly 4 percent.

**Table 2.1 US employment by industry
2009**

| Industry | Employees (millions) |
|---|---------------------------------|
| Wholesale and retail | 20.6 |
| Manufacturing | 11.6 |
| Accommodation and food services | 11.4 |
| Professional services | 7.8 |
| Information services | 3.3 |
| Banking (credit intermediation) | 2.9 |
| Insurance carriers | 1.5 |
| <i>Life insurance carriers</i> | 0.4 |
| Other insurance carriers | 1.1 |
| Real estate | 1.4 |
| Insurance agencies/brokerages | 0.7 |
| <i>Life insurance agencies/brokerages</i> | 0.4 |
| Other insurance agencies/brokerages | 0.3 |
| <i>Total life insurance</i> | 0.8 |
| All Industries | 114.5 |

Source: US Census Bureau: County Business Patterns

²² The US Census Bureau's County Business Patterns reports total insurance agent employment of 0.7 million nationally. The percent of insurance agents that sell life, accident, and health insurance is not published by the US Census Bureau. Based upon data from the New York Department of Insurance, we have estimated that approximately three-out-of-five insurance agents sell life, accident and health insurance and thus total 400,000 agents.

Total employment contribution of the US life insurance industry

The total employment contribution of the US life insurance industry extends beyond the direct employment of life insurance carriers, agencies, and brokers and includes indirect impacts on other industries' employment. The life insurance industry's indirect employment impact occurs as life insurance carriers, agents, and brokers purchase goods and services from other businesses and as earnings of industry employees drive consumption. The employment and earnings contributions can be summarized in three categories, described below.

- **Direct Impacts:** The direct impact of the life insurance industry is measured by the economic output (defined as premiums plus supplements to premiums from income earned on policyholders' reserves less expected losses), income (employee earnings), and employment connected directly to life insurance carriers, agents, and brokers.
- **Indirect Impacts:** The direct impacts described above result in purchases of goods and services from other businesses in the United States, which create a ripple or multiplier effect throughout the US economy. The indirect impact results from expenditures related to tangible property purchases, such as office supplies and equipment, contract labor, business and professional services, and other goods and services provided by US businesses to life insurance carriers, agents and brokers.
- **Induced Impacts:** The wages paid to life insurance industry employees as well as employees of indirectly impacted businesses result in induced consumer spending, which generates the third and final round of economic multiplier effects as businesses increase capacity to meet increased consumer demand. Examples of this type of impact include additional sales by retailers, restaurants, and household services, which in turn generate employment in these and other industries. To simplify the presentation of the results, these impacts are combined with the indirect impacts and presented together.

At the national level, the indirect impact of the life insurance industry includes impacts that occur in all states. For example, a life insurer based in Hartford, Connecticut may employ the services of a financial services firm in New York City. The financial services firm in New York City may purchase professional services from firms in Cleveland, St. Louis, and Atlanta. And each of these firms may purchase supplies and business services locally. As this series of transactions occurs, additional employment, income, and economic output is created at each step. The additional employment, income, and economic output accumulate with each transaction to create the indirect economic contribution. However, at each step in this chain of backward linkages with supplier industries, there is a possibility that the supplier firm may be located outside of the United States. When the supplier is located in another country, the impact is exported and the chain is broken.

The same type of backward linkages occurs as employees of life insurance carriers and agents spend income earned through their employment, creating the induced economic contribution. As employees spend their incomes on retail goods and services, the economy expands to meet the additional demand. The above average incomes earned by employees of the life insurance industry contribute to an above average induced economic contribution, which increases the overall contribution of the industry.

Table 2.2 shows the direct and indirect (including induced) contribution of the US life insurance industry. As shown in the table, the life insurance industry directly employs more than 367,000 people through life insurance carriers and nearly 424,000 life insurance agents and brokers, totaling nearly 791,000 direct employees in the United States. These direct employees earn \$52 billion and generate \$162 billion in economic output.

As shown in Table 2.2, the indirect impact of the life insurance industry includes nearly 953,000 indirect employees associated with the operations of life insurance carriers and nearly 721,000 indirect employees associated with the operations of life insurance agents and brokers.²³ These indirect jobs create significant income paid to US employees in other industries. The indirect income impact of life insurance carriers amounts to \$45 billion while the indirect income impact of life insurance agents and brokers exceeds \$28 billion, totaling \$73 billion of indirect income contribution. Combining the direct and indirect income contributions of the life insurance carriers and agents, the total contribution reaches \$125 billion in earnings by employees of the life insurance industry and other affected businesses. Table 2.2 shows that both economic output and income multipliers associated with the life insurance industry are about 2.4 whereas the employment multiplier associated with the life insurance industry is 3.1.

**Table 2.2 US life insurance industry economic contribution
2009 (\$billions)**

| | Direct contribution | Indirect & induced contribution | Total contribution |
|---|------------------------|---------------------------------------|-----------------------|
| Life insurance carriers | | | |
| Economic output | \$94 | \$128 | \$222 |
| Employee earnings | \$28 | \$45 | \$73 |
| Employment | 367,048 | 952,945 | 1,319,993 |
| Life insurance agents/brokers | | | |
| Economic output | \$69 | \$96 | \$165 |
| Employee earnings | \$24 | \$28 | \$52 |
| Employment | 423,558 | 720,981 | 1,144,539 |
| Total life insurance industry contribution | | | |
| Economic output | \$162 | \$224 | \$387 |
| Employee earnings | \$52 | \$73 | \$125 |
| Employment | 790,606 | 1,673,926 | 2,464,532 |

Source: EY calculations based on US Census Bureau County Business Patterns and Bureau of Economic Analysis RIMS II multipliers

As shown in Table 2.3, life insurance carriers pay an average of more than \$76,000 annually to their 367,048 employees, totaling \$28 billion in total employee earnings before benefits. The

²³ Estimated indirect contributions are based on direct employment and earnings obtained from US Census Bureau, County Business Patterns and US Bureau of Economic Analysis, RIMS multipliers. The largest supplier to the insurance industry is the insurance agent and broker industry. To avoid double-counting the contribution of life insurance agents that would otherwise be included in the indirect impact of the life insurance carrier industry, the direct contribution of the agent/broker industry has been subtracted from the indirect impact of the life insurance carriers.

average compensation of life insurance carrier employees exceeds the average compensation of other insurance carrier employees by almost 9 percent. The average annual earnings of life insurance carrier employees also exceeds that of information services employees (by 12 percent), banking (by 36 percent), real estate (by 85 percent), and professional services (by 13 percent).

Life insurance carrier employees, agents, and brokers, employees of the life insurance industry, earn an average of nearly \$66,000 annually. Compared to employees of all US industries, life insurance employees (life insurance carriers, agents, and brokers) earn 57 percent more than the average US employee, who earns about \$42,000.

**Table 2.3 US average annual payroll per employee by industry
2009 (\$thousands)**

| Industry | Average annual payroll per employee |
|---|--|
| Manufacturing | \$47 |
| Wholesale and retail | \$33 |
| Information services | \$68 |
| Banking (credit intermediation) | \$56 |
| Insurance carriers | \$71 |
| <i>Life insurance carriers</i> | \$76 |
| Other insurance carriers | \$70 |
| Insurance agencies/brokerages | \$56 |
| <i>Life insurance agencies/brokerages</i> | \$56 |
| Other insurance agencies/brokerages | \$56 |
| Real estate | \$41 |
| Professional services | \$67 |
| Accommodation and food services | \$16 |
| <i>Life insurance carriers and agents</i> | \$66 |
| All Industries | \$42 |

Source: US Census Bureau: County Business Patterns

50-State employment and income contribution of the life insurance industry

The US life insurance industry impacts employment and earnings in every state and the District of Columbia. Tables 2.4 and 2.5 show the direct and indirect employment contributions of life insurance carriers, agents, and brokers in each state and the District of Columbia.²⁴ Based on employment and employee earnings data for each state and the District of Columbia, the indirect impact of the life insurance industry is estimated using economic multipliers from the Department of Commerce. As described in the previous section, these multipliers capture the

²⁴ An adjustment is made to the state level impacts to remove the indirect impact of the insurance carrier industry on insurance agents and brokers that are counted as direct employees.

indirect activity created as the life insurance industry and its employees in each state purchase goods and services from other businesses in the same state.²⁵

As shown in Table 2.4, the impact of life insurance industry employment in the states is significant. The economic multiplier associated with an industry is equal to that industry's total employment impact divided by its direct impact. The multiplier for life insurance carriers ranges from 1.5 in Wyoming to 2.7 in Illinois. The multiplier for life insurance agencies ranges from 1.6 in Wyoming to 3.1 in Georgia.

Table 2.5 shows that the impact of life insurance industry income in the states is equally significant. The multiplier for life insurance carriers ranges from 1.3 in Wyoming to 2.0 in Illinois. The multiplier for life insurance agencies ranges from 1.5 in Wyoming to 2.2 in Texas.

New York, Connecticut, and Wisconsin have the largest number of direct life insurance carrier employees and account for 22 percent of total US life insurance carrier employment. Unlike the distribution of carrier employment, life insurance agent employment is roughly proportional to population in each state. California, Texas, New York, and Florida have the largest number of direct life insurance agents and brokers, accounting for nearly one-third of total US life insurance agent and broker employment.

Table 2.5 shows that the states with the highest life insurance carrier employee earnings are similar to the states with the highest carrier employment, although the relative ranking is different due to differences in the average earnings in each state. For example, the \$2.5 billion in income earned by life insurance carrier employees in New Jersey means that employees in that state have higher average earnings than any other state, more than \$125,000, compared to the US average of more than \$76,000. District of Columbia and New York life insurance carrier employees also rank among the highest paid, earning annual salaries about \$116,000 and \$107,000, respectively.

California, Texas, New York, and Florida have the most life insurance agents and brokers and, as shown in Table 2.5, insurance agents in these states earn more aggregate income than those in other states. However, agents and brokers in District of Columbia and New Jersey have the highest average earnings, per employee, at more than \$98,000 and \$74,000, respectively, compared to more than \$56,000 nationwide.

²⁵ The estimates for the states are slightly different than the US totals due to the way state data is totaled into national aggregates. Because state economies are smaller than the national economy, they have more economic leakage. This means that suppliers to the industry are more likely to be outside the local economy and the multiplier (the ratio of the total impact to the direct impact) is likely to be smaller. For example, a life insurer in Hartford, Connecticut that purchases services from a financial services company in New York City creates an indirect impact in New York City that is included in the US economic multiplier, but not in the state multiplier. For this reason, the sum of the indirect impacts in all 50 states and the District of Columbia is lower than the US indirect impact.

**Table 2.4 Direct and indirect employment contribution of the life insurance industry
2009**

| State | Direct employment | | | Indirect & induced employment | | | Total life insurance employment |
|----------------------------|------------------------|----------------------|-------------------------|-------------------------------|----------------------|---------------------------|---------------------------------|
| | Life insurance carrier | Life insurance agent | Total direct employment | Life insurance carrier | Life insurance agent | Total indirect employment | |
| Alabama | 4,785 | 4,984 | 9,769 | 5,622 | 7,573 | 13,195 | 22,964 |
| Alaska ¹ | 46 | 654 | 700 | 33 | 602 | 634 | 1,334 |
| Arizona | 4,027 | 6,546 | 10,573 | 5,323 | 9,619 | 14,942 | 25,515 |
| Arkansas | 1,000 | 3,490 | 4,490 | 842 | 3,169 | 4,012 | 8,502 |
| California | 18,086 | 46,368 | 64,454 | 26,711 | 84,357 | 111,068 | 175,522 |
| Colorado | 5,604 | 7,172 | 12,776 | 8,125 | 11,418 | 19,543 | 32,320 |
| Connecticut ¹ | 29,100 | 5,904 | 35,004 | 40,640 | 9,859 | 50,499 | 85,504 |
| Delaware | 1,725 | 982 | 2,707 | 2,320 | 1,635 | 3,955 | 6,662 |
| Florida | 15,264 | 28,538 | 43,802 | 21,418 | 50,284 | 71,701 | 115,503 |
| Georgia | 12,792 | 12,591 | 25,383 | 18,593 | 26,746 | 45,339 | 70,722 |
| Hawaii | 638 | 1,321 | 1,959 | 585 | 1,710 | 2,295 | 4,254 |
| Idaho | 252 | 1,762 | 2,014 | 182 | 1,501 | 1,683 | 3,697 |
| Illinois | 11,724 | 20,130 | 31,854 | 20,137 | 39,143 | 59,280 | 91,134 |
| Indiana | 7,982 | 8,810 | 16,792 | 9,128 | 11,146 | 20,274 | 37,066 |
| Iowa | 21,370 | 6,955 | 28,325 | 22,684 | 6,860 | 29,544 | 57,869 |
| Kansas | 2,409 | 5,124 | 7,533 | 2,520 | 5,877 | 8,397 | 15,930 |
| Kentucky ¹ | 1,358 | 5,133 | 6,490 | 1,955 | 6,961 | 8,916 | 15,406 |
| Louisiana | 2,442 | 6,404 | 8,846 | 2,832 | 9,275 | 12,107 | 20,953 |
| Maine ¹ | 2,910 | 1,844 | 4,753 | 4,059 | 2,720 | 6,779 | 11,532 |
| Maryland | 3,909 | 7,857 | 11,766 | 5,652 | 13,292 | 18,943 | 30,709 |
| Massachusetts | 16,655 | 11,436 | 28,091 | 25,434 | 20,251 | 45,685 | 73,776 |
| Michigan | 5,764 | 13,719 | 19,483 | 6,911 | 18,760 | 25,671 | 45,153 |
| Minnesota | 11,873 | 9,012 | 20,885 | 20,013 | 14,307 | 34,320 | 55,205 |
| Mississippi | 1,737 | 3,019 | 4,756 | 1,503 | 2,929 | 4,432 | 9,188 |
| Missouri | 4,300 | 10,474 | 14,774 | 5,560 | 16,119 | 21,679 | 36,452 |
| Montana | 172 | 1,649 | 1,821 | 177 | 1,695 | 1,872 | 3,693 |
| Nebraska | 7,265 | 3,452 | 10,717 | 6,730 | 3,028 | 9,758 | 20,475 |
| Nevada | 474 | 2,699 | 3,173 | 498 | 2,900 | 3,397 | 6,571 |
| New Hampshire | 1,367 | 1,695 | 3,062 | 2,030 | 2,862 | 4,892 | 7,954 |
| New Jersey | 19,907 | 12,755 | 32,662 | 33,289 | 26,665 | 59,955 | 92,617 |
| New Mexico | 428 | 1,936 | 2,364 | 327 | 1,872 | 2,198 | 4,562 |
| New York | 27,861 | 28,880 | 56,741 | 37,515 | 46,538 | 84,053 | 140,794 |
| North Carolina | 9,306 | 11,052 | 20,358 | 9,995 | 15,515 | 25,510 | 45,868 |
| North Dakota | 1,446 | 1,236 | 2,682 | 900 | 783 | 1,683 | 4,364 |
| Ohio | 14,945 | 16,476 | 31,421 | 22,114 | 26,487 | 48,601 | 80,022 |
| Oklahoma | 2,858 | 4,796 | 7,654 | 2,900 | 5,485 | 8,385 | 16,038 |
| Oregon | 2,928 | 5,092 | 8,020 | 3,640 | 7,013 | 10,652 | 18,673 |
| Pennsylvania | 20,429 | 19,282 | 39,711 | 31,762 | 36,108 | 67,870 | 107,581 |
| Rhode Island ¹ | 1,358 | 1,479 | 2,837 | 1,788 | 2,262 | 4,050 | 6,887 |
| South Carolina | 3,695 | 5,442 | 9,137 | 4,655 | 8,213 | 12,868 | 22,005 |
| South Dakota ¹ | 582 | 1,586 | 2,167 | 449 | 1,107 | 1,556 | 3,724 |
| Tennessee ¹ | 5,820 | 8,125 | 13,945 | 7,456 | 13,423 | 20,878 | 34,823 |
| Texas | 20,461 | 31,586 | 52,047 | 31,677 | 56,529 | 88,207 | 140,253 |
| Utah | 1,426 | 4,296 | 5,722 | 2,015 | 6,948 | 8,963 | 14,685 |
| Vermont ¹ | 582 | 1,051 | 1,632 | 665 | 1,246 | 1,911 | 3,544 |
| Virginia | 6,963 | 9,282 | 16,245 | 7,610 | 13,807 | 21,417 | 37,662 |
| Washington | 4,410 | 8,051 | 12,461 | 5,705 | 11,859 | 17,563 | 30,024 |
| West Virginia ¹ | 582 | 1,979 | 2,560 | 501 | 1,788 | 2,288 | 4,848 |
| Wisconsin | 23,578 | 8,270 | 31,848 | 29,381 | 11,538 | 40,919 | 72,767 |
| Wyoming | 80 | 700 | 780 | 41 | 412 | 454 | 1,234 |
| District of Columbia | 375 | 484 | 859 | 213 | 624 | 837 | 1,697 |

Source: US Census' County Business Patterns and Bureau of Economic Analysis RIMS II

¹Imputed for Life Insurance Carriers

²Imputed for Agents and Brokerages

**Table 2.5 Direct and indirect income contribution of the life insurance industry
2009 (\$millions)**

| State | Direct income | | | Indirect & induced income | | | Total life insurance income |
|---------------------------|------------------------|----------------------|---------------------|---------------------------|----------------------|-----------------------|-----------------------------|
| | Life insurance carrier | Life insurance agent | Total direct income | Life insurance carrier | Life insurance agent | Total indirect income | |
| Alabama | \$296 | \$257 | \$554 | \$206 | \$229 | \$435 | \$988 |
| Alaska ¹ | \$4 | \$35 | \$38 | \$1 | \$21 | \$22 | \$61 |
| Arizona | \$258 | \$307 | \$565 | \$210 | \$326 | \$536 | \$1,102 |
| Arkansas | \$52 | \$143 | \$195 | \$26 | \$96 | \$122 | \$317 |
| California | \$1,238 | \$2,964 | \$4,202 | \$1,166 | \$3,579 | \$4,745 | \$8,947 |
| Colorado | \$435 | \$371 | \$806 | \$390 | \$428 | \$818 | \$1,624 |
| Connecticut ¹ | \$2,245 | \$413 | \$2,658 | \$1,865 | \$407 | \$2,272 | \$4,930 |
| Delaware | \$135 | \$53 | \$187 | \$108 | \$52 | \$160 | \$348 |
| Florida | \$935 | \$1,491 | \$2,426 | \$825 | \$1,687 | \$2,512 | \$4,937 |
| Georgia | \$887 | \$762 | \$1,649 | \$835 | \$919 | \$1,754 | \$3,403 |
| Hawaii | \$47 | \$69 | \$116 | \$29 | \$59 | \$88 | \$205 |
| Idaho | \$16 | \$62 | \$78 | \$7 | \$39 | \$46 | \$124 |
| Illinois | \$868 | \$1,237 | \$2,106 | \$875 | \$1,543 | \$2,418 | \$4,524 |
| Indiana | \$623 | \$392 | \$1,015 | \$429 | \$352 | \$781 | \$1,796 |
| Iowa | \$1,309 | \$325 | \$1,634 | \$787 | \$220 | \$1,007 | \$2,641 |
| Kansas | \$155 | \$238 | \$393 | \$103 | \$193 | \$296 | \$689 |
| Kentucky | \$125 | \$221 | \$345 | \$94 | \$205 | \$299 | \$644 |
| Louisiana | \$145 | \$317 | \$461 | \$105 | \$294 | \$399 | \$860 |
| Maine ¹ | \$224 | \$90 | \$314 | \$173 | \$82 | \$255 | \$569 |
| Maryland | \$282 | \$473 | \$755 | \$234 | \$499 | \$733 | \$1,488 |
| Massachusetts | \$1,440 | \$765 | \$2,205 | \$1,318 | \$844 | \$2,162 | \$4,367 |
| Michigan | \$378 | \$666 | \$1,044 | \$275 | \$648 | \$924 | \$1,967 |
| Minnesota | \$921 | \$501 | \$1,422 | \$787 | \$509 | \$1,296 | \$2,718 |
| Mississippi | \$83 | \$135 | \$218 | \$46 | \$95 | \$141 | \$359 |
| Missouri | \$258 | \$502 | \$760 | \$219 | \$519 | \$738 | \$1,498 |
| Montana | \$8 | \$71 | \$78 | \$5 | \$54 | \$59 | \$137 |
| Nebraska | \$388 | \$146 | \$535 | \$226 | \$97 | \$323 | \$858 |
| Nevada | \$36 | \$116 | \$152 | \$22 | \$91 | \$113 | \$265 |
| New Hampshire | \$71 | \$96 | \$167 | \$58 | \$96 | \$154 | \$321 |
| New Jersey | \$2,506 | \$946 | \$3,452 | \$2,356 | \$1,113 | \$3,469 | \$6,921 |
| New Mexico | \$21 | \$78 | \$99 | \$10 | \$56 | \$66 | \$165 |
| New York | \$2,987 | \$2,112 | \$5,100 | \$2,493 | \$2,120 | \$4,613 | \$9,713 |
| North Carolina | \$756 | \$549 | \$1,305 | \$480 | \$490 | \$971 | \$2,276 |
| North Dakota | \$57 | \$51 | \$108 | \$23 | \$26 | \$49 | \$157 |
| Ohio | \$1,006 | \$788 | \$1,795 | \$848 | \$857 | \$1,705 | \$3,500 |
| Oklahoma | \$103 | \$196 | \$299 | \$68 | \$175 | \$242 | \$542 |
| Oregon | \$313 | \$230 | \$544 | \$228 | \$213 | \$442 | \$985 |
| Pennsylvania | \$1,431 | \$1,189 | \$2,620 | \$1,343 | \$1,373 | \$2,717 | \$5,337 |
| Rhode Island ¹ | \$105 | \$80 | \$185 | \$85 | \$77 | \$162 | \$347 |
| South Carolina | \$208 | \$236 | \$444 | \$161 | \$237 | \$398 | \$842 |
| South Dakota ¹ | \$45 | \$59 | \$104 | \$23 | \$33 | \$56 | \$160 |
| Tennessee | \$397 | \$445 | \$842 | \$350 | \$502 | \$852 | \$1,694 |
| Texas | \$1,317 | \$1,638 | \$2,954 | \$1,272 | \$2,047 | \$3,319 | \$6,273 |
| Utah | \$96 | \$196 | \$291 | \$86 | \$218 | \$304 | \$595 |
| Vermont ¹ | \$45 | \$57 | \$102 | \$28 | \$42 | \$70 | \$171 |
| Virginia | \$463 | \$475 | \$938 | \$319 | \$448 | \$767 | \$1,705 |
| Washington | \$289 | \$451 | \$740 | \$214 | \$437 | \$651 | \$1,392 |
| West Virginia | \$25 | \$76 | \$101 | \$14 | \$53 | \$66 | \$167 |
| Wisconsin | \$1,911 | \$389 | \$2,300 | \$1,418 | \$353 | \$1,771 | \$4,070 |
| Wyoming | \$5 | \$25 | \$30 | \$2 | \$11 | \$13 | \$43 |
| District of Columbia | \$44 | \$48 | \$91 | \$15 | \$31 | \$46 | \$138 |

Source: US Census' County Business Patterns and Bureau of Economic Analysis RIMS II

¹ Imputed for Life Insurance Carriers

² Imputed for Agents and Brokerages

Chapter 3 – Contributions of the US life insurance industry to US financial markets

In addition to providing financial protection and employment to American families, the life insurance industry also makes significant long-term investments in the US capital markets.

Financial assets of the life insurance industry

The life insurance industry held financial assets totaling \$4,814 billion at the end of 2009.²⁶ This amount was distributed across four broad asset categories with \$84 billion in easily liquid assets, such as checkable deposits and money market funds; \$3,023 billion in credit market instruments including government securities, mortgages, and corporate and foreign bonds; \$1,349 billion in corporate equities and mutual fund shares; and \$358 billion in miscellaneous assets including policy loans. These amounts and their shares of life insurance industry investments are shown in Table 3.1.

**Table 3.1 Financial assets of the life insurance industry
2009 (\$ billions)**

| Financial asset type | Total holdings | | Current year net investment | |
|--|----------------|------------|-----------------------------|------------|
| | Amount | % of Total | Amount | % of Total |
| Checkable deposits and money market shares | 84 | 2% | -38 | -33% |
| Credit market instruments | 3,023 | 63% | 140 | 124% |
| Corporate Equities and mutual fund shares | 1,349 | 28% | 33 | 30% |
| Miscellaneous | 358 | 7% | -21 | -20% |
| Total | 4,814 | 100% | 115 | 100% |

Source: *Flow of Funds Accounts of the United States, Flows and Outstandings First Quarter 2011*

Note: Details do not sum to totals due to rounding.

During 2009, the life insurance industry made net investments of \$115 billion consisting of \$140 billion in credit market instruments and \$33 billion in corporate equities and mutual fund shares, offset by reduced holdings of checkable deposits and money market funds of \$38 billion and miscellaneous assets of \$21 billion. The life insurance industry, even during the challenging financial crises of 2009, was and is a consistent net contributor to the US economy through investments in corporate equities and mutual fund shares providing a stable source of funding for these markets.

Comparison of life insurance industry to other financial institutions

Relative to other major financial institutions, total financial assets of the life insurance industry ranked third in 2009 behind commercial banks and private pension funds, but ahead of state and local government employee pension funds, Federal government employee pension funds, savings institutions, property and casualty insurance companies, and credit unions. Table 3.2

²⁶ Financial asset data are taken from the Flow of Funds tables produced by the Federal Reserve Board for the Life Insurance Industry.

shows a comparison of these institutions by total assets at the end of 2009.²⁷ The table illustrates, for example, that in terms of the assets held in each sector, Commercial Banking is three times the size of the Life Insurance Industry.

Table 3.2 Relative size of life insurance industry compared with other financial institutions by total financial assets, 2009

| Financial institution | Total assets (\$ billions) | Size relative to life insurance |
|--|---------------------------------------|--|
| Commercial banking | 14,288 | 3.0 |
| Private pension funds | 5,471 | 1.1 |
| Life insurance companies | 4,824 | 1.0 |
| Government sponsored enterprises (GSEs) | 3,014 | 0.6 |
| State & local government employee retirement funds | 2,674 | 0.6 |
| Property and casualty insurance companies | 1,388 | 0.3 |
| Federal government retiree funds | 1,324 | 0.3 |
| Savings banks | 1,254 | 0.3 |
| Credit unions | 883 | 0.2 |

Source: Flow of Funds Accounts of the United States, Flows and Outstandings, First Quarter 2011

Table 3.3 shows a comparison of these institutions by net financial assets at the end of 2009. Relative to other major financial institutions, net financial assets²⁸ of the life insurance industry ranked third in 2009 behind property and casualty insurance companies and commercial banking, but ahead of savings banks, credit unions, Government sponsored GSE's, and pension funds. The difference in the relative sizes of the property and casualty insurance companies and commercial banks shown in Table 3.2 and Table 3.3 are an indication that the life insurance industry fared better during the recession in terms of net assets at the end of 2009 because they hold proportionately greater amounts of bonds and proportionately smaller amounts of equities. (See table 3.5 below.)

²⁷ From 2007 to 2009, Life Insurance assets declined by 1 percent (\$57 Billion) while assets held by Private Pension Funds declined by 11 percent (\$659 Billion) as a percentage of the assets held in 2007.

²⁸ Net financial assets are defined as the difference between total financial assets and total financial liabilities.

Table 3.3 Relative size of life insurance industry compared with other financial institutions by net financial assets, 2009

| Financial institution | Total net assets (\$ billions) | Size relative to life insurance |
|--|---|--|
| Property and casualty insurance companies | 573 | 2.0 |
| Commercial banking | 513 | 1.8 |
| Life insurance companies | 291 | 1.0 |
| Savings banks | 129 | 0.4 |
| Credit unions | 67 | 0.2 |
| Government sponsored enterprises (GSEs) | 37 | 0.1 |
| Federal government retiree funds | - | - |
| Private pension funds | (36) | (0.1) |
| State & local government employee retirement funds | (86) | (0.3) |

Source: Flow of Funds Accounts of the United States, Flows and Outstandings, First Quarter 2011

Types of financial assets held by the life insurance industry

While the life insurance industry holds significant financial market investments, it is the long-term nature of its investments that distinguishes it from other financial institutions. Because life insurance industry products provide financial security from knowable but uncertain adverse events, the investment portfolios must produce cash flows that are coordinated with the expected frequencies and magnitudes of these events, since the income from these investments must satisfy the expected payments from these products. The majority of these payments (75 percent) were for life insurance and annuity products with long term contractual commitments made many years prior to the expected payments.²⁹ Matching investments to liabilities necessitates a long-term investment strategy for these obligations, providing the life insurance industry with a unique role among other financial institutions.

Table 3.4 shows the distribution of investments by the life insurance industry in relation to the size of the market for each financial instrument. The first column shows the total amount of assets in each market and the second shows the amount invested by the life insurance industry. The third column shows the percent of the asset market that is invested by the life insurance industry. For example, there were \$5,352 billion in checkable deposits and money market shares of which the life insurance industry held \$84 billion, or approximately 2 percent of the total. At the end of 2009 the life insurance industry held investments totaling 17 percent of the corporate and foreign bond markets and 10 percent of the commercial mortgage market.

²⁹ ACLI Fact Book, 2011

**Table 3.4 Share of financial assets held by the life insurance industry
2009 (\$ billions)**

| Financial asset type | US total selected assets | Assets held by life insurance companies | % of total value held by life insurance companies |
|--|---|--|--|
| 1. Checkable deposits & currency and money market shares | 5,352 | 84 | 2% |
| 2. Credit market debt held by financial sectors | 38,029 | 3,023 | 8% |
| Treasury securities | 7,782 | 134 | 2% |
| Agency and GSE-backed securities | 8,107 | 372 | 5% |
| Mortgages | 14,320 | 326 | 2% |
| Home | 10,862 | 6 | 0% |
| Multi-family | 849 | 49 | 6% |
| Commercial | 2,475 | 258 | 10% |
| Corporate and foreign bonds | 11,434 | 1,915 | 17% |
| 3. Corporate Equities | 20,101 | 1,209 | 6% |
| 4. Miscellaneous assets and mutual fund shares | 32,362 | 498 | 2% |
| Totals (1+2+3+4) | 95,844 | 4,814 | 5% |

Source: Flow of Funds Accounts of the United States, Flows and Outstandings, First Quarter 2011

Note: * denotes less than 5% of holdings relative to life insurance industry

A quick glance at the last column of Table 3.4 clearly indicates that the life insurance industry invests significantly in the corporate and foreign bond market, (compared to other financial assets), where they hold nearly one fifth of the market's value. In the second most popular investment market for the industry, commercial mortgages, the percentage held by life insurance is significantly lower at 10 percent. Similarly, the life insurance industry held 8 percent of credit market debt of which approximately 16 percent was in multi-family mortgage backed and commercial asset backed securities and a 6 percent stake of the corporate equities market. Table 3.4 demonstrates that the life insurance industry is a major source of long-term capital for US corporations. Due to the long-term nature of the life insurance industry's liabilities, this relationship will be, and has been, very steady across time.

Table 3.5 shows how other financial institutions' holdings of assets in these markets compare with the life insurance industry. For example, the top row shows that private pension funds hold 30 percent more checkable deposits and money market shares than the life insurance industry holds. The life insurance industry holds large amounts of checkable deposits and money market shares because the industry provides sizeable payments each year to holders of life insurance, annuity, and other insurance products. Indeed, in 2009, payments on these products to policy holders totaled \$497 billion.³⁰ The other financial assets that the life insurance industry holds significant investments in are corporate and foreign bonds, commercial mortgages and corporate equities, among financial institutions; the life insurance industry is a minor investor in the home mortgage market.

³⁰ ACLI Fact Book, 2011

**Table 3.5 Financial asset holdings relative to life insurance industry asset holdings
2009**

| Financial asset type | Life ins. | Comm. banks | Private pensions | State & local retiree funds | GSEs | Savings banks | Prop. & casualty ins. | Fed. retiree fund | Credit union |
|---|-----------|-------------|------------------|-----------------------------|------|---------------|-----------------------|-------------------|--------------|
| Checkable deposits & money mkt shares | 1 | 0.0* | 1.3 | 0.4 | 1.2* | 0.1* | 0.7 | N.A. | 0.5* |
| Credit mkt debt held by financial sectors | 1 | 3.0 | 0.4 | 0.3 | 0.9 | 0.4 | 0.3 | 0.0 | 0.2 |
| Treasury securities | 1 | 1.4 | 2.3 | 1.3 | 0.2 | 0.1 | 0.7 | 0.9 | 0.1 |
| Agency and GSE-backed securities | 1 | 3.5 | 0.7 | 0.8 | 2.5 | 0.5 | 0.3 | 0.0 | 0.3 |
| Mortgages | 1 | 11.7 | 0.0 | 0.0 | 2.2 | 1.9 | 0.0 | N.A. | 1.0 |
| Home | 1 | 403.8 | 0.4 | 0.6 | 79.3 | 80.1 | N.A. | N.A. | 56.8 |
| Multi-family | 1 | 4.4 | 0.1 | 0.1 | 4.2 | 1.2 | N.A. | N.A. | N.A. |
| Commercial | 1 | 5.0 | 0.0 | 0.0 | N.A. | 0.5 | 0.0 | N.A. | N.A. |
| Corporate and foreign bonds | 1 | 0.5 | 0.2 | 0.2 | 0.2 | 0.0 | 0.2 | 0.0 | 0.0 |
| Corporate Equities | 1 | 0.0 | 1.5 | 1.3 | N.A. | 0.0 | 0.2 | 0.1 | N.A. |

Source: Flow of Funds Accounts of the United States, Flows and Outstandings First Quarter 2011

Note: * denotes data for money market shares not applicable

Table 3.6 shows another perspective identifying the long term investment strategy of the industry. This table shows the vintage profile of debt instruments held by the life insurance industry in 2009 both as of the date of purchase of the instruments and as of the remaining maturity of debt instruments in 2009.

**Table 3.6 Vintage profile of debt instruments held by life insurance industry
2009**

| Distribution of bonds held | Less than 1 year | 1 to 5 years | 5 to 10 years | 10 to 20 years | Over 20 years | Total |
|------------------------------|------------------|--------------|---------------|----------------|---------------|-------|
| Maturity at date of purchase | - | 9% | 30% | 28% | 34% | 100% |
| Maturity remaining | 10% | 29% | 29% | 13% | 19% | 100% |

Source: ACLI Fact Book 2011

The first row shows that less than 10 percent of life insurance industry debt purchased in 2009 had a remaining maturity of less than 5 years and that 62 percent had a remaining maturity greater than 10 years. This time profile reflects the duration of recent liabilities insured by life insurance and annuity products. The second row shows that the current remaining years of debt instruments held by the life insurance industry and matches the remaining time profile of expected payment in the current year, near term and the long-term.

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Facts About the U.S. Life Insurance Industry

Providing Jobs

- The life insurance industry generates approximately 2.5 million jobs in the U.S., including direct employees, those who sell life insurance products, and non-insurance jobs supported by the industry.
- The U.S. life insurance industry is made up of nearly 850 companies with sales and operations across the country.

Protecting Families

- 75 million American families depend on the life insurance industry for financial and retirement security.
- 144 million individual life insurance policies were in force at the end of 2013, which includes \$19 trillion worth of life insurance protection through individual policies and group certificates.
- The life insurance industry pays out \$1.5 billion every day through payments from life insurance, annuities, long-term care insurance, disability income insurance, and other types of insurance products.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.

Investing in the Economy

- The life insurance industry has \$5.6 trillion invested in the U.S. economy, making it one of the largest sources of investment capital in the nation.
- Life insurers invest in American business for the long-term. More than one-third (37%) of general account bonds held by life insurers had a maturity of more than 20 years at the time of purchase. More than two-thirds had a maturity of more than 10 years.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20% of all U.S. corporate bonds.
- Of the \$727 billion in government and agency bonds held by life insurers, the overwhelming majority, \$690 billion, were in long-term obligations.
- Life insurers provide long-term capital to the commercial mortgage market, directly financing more than \$286 billion, or nearly one-eighth, of U.S. commercial mortgages.

About ACLI

- ACLI represents approximately 300 member companies operating in the United States and abroad.
- ACLI members represent more than 90% of industry assets and premiums. Members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance.

Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; Federal Reserve Board's 2013 *Survey of Consumer Finances* and 2013 Flow of Funds data; 2012 Ernst & Young data; and 2013 Census data

MARCH 2015

NEVADA

Jobs

- The life insurance industry generates approximately 9,000 jobs in Nevada, including 4,000 direct employees and 5,000 non-insurance jobs.
- 441 life insurers are licensed to do business in Nevada and 1 is domiciled in the state.

Protection

- Nevada residents have \$181 billion in total life insurance coverage.
- State residents own 681,000 individual life insurance policies, with coverage averaging \$183,000 per policyholder.
- Group life insurance coverage amounts to \$56 billion.
- Individual life insurance coverage purchased in 2013 in Nevada totaled \$13 billion.
- \$2 billion was paid to Nevada residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013.
- Annuity benefits paid in the state in 2013 totaled \$500 million.

Investments

- Life insurance companies invest approximately \$38 billion in Nevada's economy.
- About \$31 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.
- Life insurers provide \$3 billion in mortgage loans on farm, residential, and commercial properties, and own \$199 million in real estate in Nevada.

Across America

- 75 million American families depend on life insurers' products to protect their financial and retirement security.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers pay out \$1.5 billion to families and businesses every day.
- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate.¹
- IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.
- The life insurance industry generates approximately 2.5 million jobs in the U.S.
- Life insurers invest \$5.6 trillion in the U.S. economy—90 percent of the industry's total assets.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

ACLI in Nevada

- 245 ACLI member companies provide financial and retirement security to families through life insurance, annuities, long-term care and disability income insurance, and retirement plans.
- 93 percent of all life and annuity payments are from ACLI member companies.
- 92 percent of total life insurance coverage is provided by ACLI members.

¹Bureau of Labor Statistics, U.S. Department of Labor, National Compensation Survey, March 2014.
Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.

INDIANA

Jobs

- The life insurance industry generates approximately 37,000 jobs in Indiana, including 17,000 direct employees and 20,000 non-insurance jobs.
- 510 life insurers are licensed to do business in Indiana and 25 are domiciled in the state.

Protection

- Indiana residents have \$497 billion in total life insurance coverage.
- State residents own 3 million individual life insurance policies, with coverage averaging \$97,000 per policyholder.
- Group life insurance coverage amounts to \$185 billion.
- Individual life insurance coverage purchased in 2013 in Indiana totaled \$26 billion.
- \$7 billion was paid to Indiana residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013.
- Annuity benefits paid in the state in 2013 totaled \$2 billion.

Investments

- Life insurance companies invest approximately \$96 billion in Indiana's economy.
- About \$82 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.
- Life insurers provide \$3 billion in mortgage loans on farm, residential, and commercial properties, and own \$195 million in real estate in Indiana.

Across America

- 75 million American families depend on life insurers' products to protect their financial and retirement security.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers pay out \$1.5 billion to families and businesses every day.
- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate.¹
- IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.
- The life insurance industry generates approximately 2.5 million jobs in the U.S.
- Life insurers invest \$5.6 trillion in the U.S. economy—90 percent of the industry's total assets.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

ACLI in Indiana

- 255 ACLI member companies provide financial and retirement security to families through life insurance, annuities, long-term care and disability income insurance, and retirement plans.
- 89 percent of all life and annuity payments are from ACLI member companies.
- 88 percent of total life insurance coverage is provided by ACLI members.

¹Bureau of Labor Statistics, U.S. Department of Labor, National Compensation Survey, March 2014.
Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.

SOUTH CAROLINA

Jobs

- The life insurance industry generates approximately 25,000 jobs in South Carolina, including 10,000 direct employees and 15,000 non-insurance jobs.
- 455 life insurers are licensed to do business in South Carolina and 12 are domiciled in the state.

Protection

- South Carolina residents have \$365 billion in total life insurance coverage.
- State residents own 3 million individual life insurance policies, with coverage averaging \$73,000 per policyholder.
- Group life insurance coverage amounts to \$134 billion.
- Individual life insurance coverage purchased in 2013 in South Carolina totaled \$21 billion.
- \$5 billion was paid to South Carolina residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013.
- Annuity benefits paid in the state in 2013 totaled \$814 million.

Investments

- Life insurance companies invest approximately \$70 billion in South Carolina's economy.
- About \$60 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.
- Life insurers provide \$2 billion in mortgage loans on farm, residential, and commercial properties, and own \$93 million in real estate in South Carolina.

Across America

- 75 million American families depend on life insurers' products to protect their financial and retirement security.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers pay out \$1.5 billion to families and businesses every day.
- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate.¹
- IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.
- The life insurance industry generates approximately 2.5 million jobs in the U.S.
- Life insurers invest \$5.6 trillion in the U.S. economy—90 percent of the industry's total assets.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

ACLI in South Carolina

- 242 ACLI member companies provide financial and retirement security to families through life insurance, annuities, long-term care and disability income insurance, and retirement plans.
- 89 percent of all life and annuity payments are from ACLI member companies.
- 91 percent of total life insurance coverage is provided by ACLI members.

¹Bureau of Labor Statistics, U.S. Department of Labor, National Compensation Survey, March 2014.
Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.

COLORADO

Jobs

- The life insurance industry generates approximately 36,000 jobs in Colorado, including 14,000 direct employees and 22,000 non-insurance jobs.
- 469 life insurers are licensed to do business in Colorado and 10 are domiciled in the state.

Protection

- Colorado residents have \$530 billion in total life insurance coverage.
- State residents own 2 million individual life insurance policies, with coverage averaging \$188,000 per policyholder.
- Group life insurance coverage amounts to \$181 billion.
- Individual life insurance coverage purchased in 2013 in Colorado totaled \$33 billion.
- \$6 billion was paid to Colorado residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013.
- Annuity benefits paid in the state in 2013 totaled \$1 billion.

Investments

- Life insurance companies invest approximately \$83 billion in Colorado's economy.
- About \$67 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.
- Life insurers provide \$7 billion in mortgage loans on farm, residential, and commercial properties, and own \$298 million in real estate in Colorado.

Across America

- 75 million American families depend on life insurers' products to protect their financial and retirement security.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers pay out \$1.5 billion to families and businesses every day.
- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate.¹
- IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.
- The life insurance industry generates approximately 2.5 million jobs in the U.S.
- Life insurers invest \$5.6 trillion in the U.S. economy—90 percent of the industry's total assets.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

ACLI in Colorado

- 248 ACLI member companies provide financial and retirement security to families through life insurance, annuities, long-term care and disability income insurance, and retirement plans.
- 91 percent of all life and annuity payments are from ACLI member companies.
- 92 percent of total life insurance coverage is provided by ACLI members.

¹Bureau of Labor Statistics, U.S. Department of Labor, National Compensation Survey, March 2014.
Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.

WASHINGTON

Jobs

- The life insurance industry generates approximately 31,000 jobs in Washington, including 13,000 direct employees and 18,000 non-insurance jobs.
- 423 life insurers are licensed to do business in Washington and 8 are domiciled in the state.

Protection

- Washington residents have \$589 billion in total life insurance coverage.
- State residents own 2 million individual life insurance policies, with coverage averaging \$191,000 per policyholder.
- Group life insurance coverage amounts to \$240 billion.
- Individual life insurance coverage purchased in 2013 in Washington totaled \$30 billion.
- \$7 billion was paid to Washington residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013.
- Annuity benefits paid in the state in 2013 totaled \$2 billion.

Investments

- Life insurance companies invest approximately \$111 billion in Washington's economy.
- About \$86 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.
- Life insurers provide \$13 billion in mortgage loans on farm, residential, and commercial properties, and own \$2 billion in real estate in Washington.

Across America

- 75 million American families depend on life insurers' products to protect their financial and retirement security.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers pay out \$1.5 billion to families and businesses every day.
- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate.¹
- IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.
- The life insurance industry generates approximately 2.5 million jobs in the U.S.
- Life insurers invest \$5.6 trillion in the U.S. economy—90 percent of the industry's total assets.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

ACLI in Washington

- 242 ACLI member companies provide financial and retirement security to families through life insurance, annuities, long-term care and disability income insurance, and retirement plans.
- 92 percent of all life and annuity payments are from ACLI member companies.
- 90 percent of total life insurance coverage is provided by ACLI members.

¹Bureau of Labor Statistics, U.S. Department of Labor, National Compensation Survey, March 2014.
Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.

FLORIDA

Jobs

- The life insurance industry generates approximately 141,000 jobs in Florida, including 53,000 direct employees and 88,000 non-insurance jobs.
- 455 life insurers are licensed to do business in Florida and 11 are domiciled in the state.

Protection

- Florida residents have \$1.6 trillion in total life insurance coverage.
- State residents own 7 million individual life insurance policies, with coverage averaging \$145,000 per policyholder.
- Group life insurance coverage amounts to \$539 billion.
- Individual life insurance coverage purchased in 2013 in Florida totaled \$93 billion.
- \$25 billion was paid to Florida residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments in 2013.
- Annuity benefits paid in the state in 2013 totaled \$6 billion.

Investments

- Life insurance companies invest approximately \$285 billion in Florida's economy.
- About \$233 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.
- Life insurers provide \$20 billion in mortgage loans on farm, residential, and commercial properties, and own \$2 billion in real estate in Florida.

Across America

- 75 million American families depend on life insurers' products to protect their financial and retirement security.
- More than 1 out of every 6 dollars of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers pay out \$1.5 billion to families and businesses every day.
- Nearly 80 percent of full-time workers have access to a workplace retirement plan, and more than 80 percent of workers with access participate.¹
- IRAs and individual annuities are available for all workers without access to employer-sponsored plans as well as to supplement retirement savings.
- The life insurance industry generates approximately 2.5 million jobs in the U.S.
- Life insurers invest \$5.6 trillion in the U.S. economy—90 percent of the industry's total assets.
- Life insurers are the largest institutional source of bond financing for American businesses, holding 20 percent of all U.S. corporate bonds.

ACLI in Florida

- 238 ACLI member companies provide financial and retirement security to families through life insurance, annuities, long-term care and disability income insurance, and retirement plans.
- 92 percent of all life and annuity payments are from ACLI member companies.
- 91 percent of total life insurance coverage is provided by ACLI members.

¹Bureau of Labor Statistics, U.S. Department of Labor, National Compensation Survey, March 2014.
Sources: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2013 annual statement data; U.S. Bureau of Economic Analysis, 2013 data; U.S. Census Bureau, 2013 data; U.S. Bureau of Labor Statistics, 2013 data; and U.S. Treasury Department, 2013 data.