

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 76 percent of expenditures at \$741 billion in 2021 (Table 5.1, Figure 5.1). Operating expenses were \$137 billion for the second-largest category at 14 percent.

Additions to reserves comprised 6 percent of 2021 total expenditures, investment expenses claimed 2 percent, and taxes 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.

To Beneficiaries

During 2021, life insurers paid \$100 billion to beneficiaries of policyholders who died; a 10.8 percent increase from 2020 (Table 5.2). Of this total, individual life insurance policies accounted for the largest share at \$73 billion, or 73 percent. Group life insurance payments to beneficiaries ranked second at \$26 billion, or 26 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 \$384 million in 2021.

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 2021 decreased by 7 percent to \$28 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 10 percent of payments from life insurance policies in 2021.

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 \$528 million in 2021.

Other payments, including disability payments and retained assets under life insurance policies, totaled \$656 million in 2021.

From Annuity Contracts

Annuity benefit payments increased by 6.7 percent to \$98 billion in 2021 (Table 5.3).

Fifty-nine percent of the annuity benefit payments, or \$57 billion, was paid to individual annuity owners, while \$38 billion, or 39 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 \$339 billion on voluntarily terminated annuities in 2021, \$2.9 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 \$147 billion in health insurance benefits to Americans in 2021 (Table 5.4). Life insurers' total health insurance benefit payments to Americans increased 6.9 percent from 2020 (Table 5.1).

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, other commissions, and home- and field-office expenses. In 2021, home- and field-office expenses comprised 7 percent of expenditures at \$72 billion (Table 5.1). Commissions to agents were \$51 billion, or 5 percent of total expenditures. Other commissions accounted for \$15 billion, or 2 percent of total expenditures.

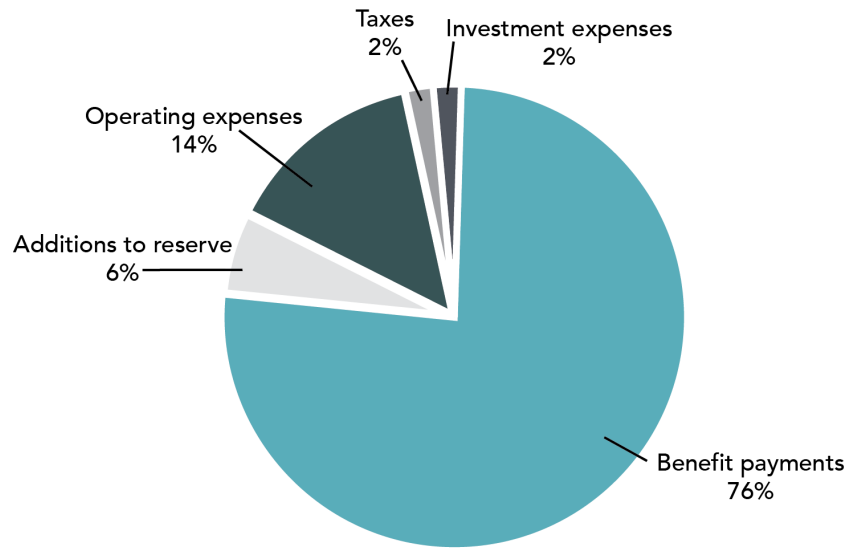
Of total office expenses, \$46 billion, or 64 percent, was in salaries and payments to employee and agent benefit plans (Table 5.5). In 2021, life insurers also spent \$8 billion on office equipment and supplies, \$4 billion on fees associated with policy issuance and claim settlement, \$2 billion on office rent, \$2 billion on advertising, and \$496 million on travel.

INVESTMENT EXPENSES

Expenses, fees, and taxes associated with investment management totaled \$16 billion in 2021 (Table 5.6). Salaries and welfare expenses is the largest category at \$3.2 billion followed by interest expenses at \$2.6 billion.

Figure 5.1

Distribution of Life Insurers' Expenditures, 2021



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 5.1

Expenditures of Life Insurers

	Millions			Average annual percent change	
	2011	2020	2021	2011/2021	2020/2021
Contract payments					
Life insurance	\$109,354	\$136,756	\$144,590	2.8	5.7
Annuities ¹	283,803	392,374	439,736	4.5	12.1
Health insurance	120,650	137,741	147,219	2.0	6.9
Other payments ²	11,000	10,793	9,861	-1.1	-8.6
Total	524,806	677,664	741,406	3.5	9.4
Additions to policy reserve funds³	201,740	90,362	62,807	-11.0	-30.5
Operating expenses					
Commissions to agents	43,068	45,355	50,682	1.6	11.7
Other commissions	9,438	15,476	14,835	4.6	-4.1
Home- and field-office expenses	60,021	68,820	71,516	1.8	3.9
Total	112,527	129,650	137,032	2.0	5.7
Taxes⁴	16,231	19,910	20,497	2.4	2.9
Investment expenses⁵	11,050	15,143	15,547	3.5	2.7
Aggregate total	866,354	932,729	977,289	1.2	4.8

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.

¹ 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.

² Includes group conversions and interest on policy or contract funds.

³ Excludes addition to reserves for deposit-type contracts.

⁴ Includes foreign and U.S. federal income taxes, including taxes on capital gains; excludes investment taxes.

⁵ Includes investment-related taxes and fees.

Table 5.2

Payments From Life Insurance Policies					
	Millions			Average annual percent change	
	2011	2020	2021	2011/2021	2020/2021
Payments to beneficiaries					
Individual	\$41,869	\$67,217	\$73,418	5.8	9.2
Group	19,832	22,916	26,386	2.9	15.1
Credit	431	296	384	-1.1	29.5
Total	62,132	90,429	100,188	4.9	10.8
Surrender values					
Individual	32,107	28,667	27,375	-1.6	-4.5
Group	1,405	1,780	943	-3.9	-47.0
Total	33,511	30,447	28,318	-1.7	-7.0
Policyholder dividends	12,581	14,707	14,899	1.7	1.3
Matured endowments	577	497	528	-0.9	6.3
Other payments¹	553	676	656	1.7	-2.9
Aggregate total	109,354	136,756	144,590	2.8	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.

¹ Includes disability benefits and retained assets.

Table 5.3

Payments From Annuity Contracts

	Millions			Average annual percent change	
	2011	2020	2021	2011/2021	2020/2021
Annuity benefits¹					
Individual ¹	\$47,342	\$53,235	\$57,495	2.0	8.0
Group ¹	25,196	35,613	37,615	4.1	5.6
Supplementary contracts with life contingencies	1,980	2,711	2,585	2.7	-4.6
Total	74,518	91,559	97,695	2.7	6.7
Surrender values²					
Individual	116,620	163,243	195,388	5.3	19.7
Group	89,546	134,218	143,761	4.8	7.1
Total	206,166	297,461	339,149	5.1	14.0
Policyholder dividends	2,966	3,346	2,878	-0.3	-14.0
Other payments³	152	9	15	-20.9	68.1
Aggregate total	283,803	392,374	439,736	4.5	12.1

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

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¹Excludes 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.

²Excludes surrender benefits and fund withdrawals from deposit-type contracts.

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

Table 5.4

Payments From Health Insurance Policies, by Line of Business

	Millions		Average annual percent change
	2020	2021	2020/2021
Comprehensive	\$35,022	\$36,634	4.6
Medicare/Medicaid	46,174	50,920	10.3
Dental only	9,067	9,648	6.4
Vision only	1,045	1,158	10.9
Disability income	16,994	18,774	10.5
Long term care	8,253	7,850	-4.9
Credit	216	202	-6.4
Other	20,970	22,031	5.1
Total	137,741	147,219	6.9

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. 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	
	2011	2020	2021	2011/2021	2020/2021
Rental	\$2,529	\$2,378	\$2,354	-0.7	-1.0
Employment					
Salaries	28,847	35,840	37,907	2.8	5.8
Welfare contributions and payments	6,802	7,477	7,644	1.2	2.2
Total	35,649	43,318	45,551	2.5	5.2
Fees associated with policy issuance/claim settlement	2,912	3,838	4,291	4.0	11.8
Travel	1,219	457	496	-8.6	8.4
Advertising	2,875	2,195	2,289	-2.3	4.3
Office equipment/supplies	6,980	7,975	8,216	1.6	3.0
Miscellaneous	7,858	8,659	8,319	0.6	-3.9
Aggregate total	60,021	68,820	71,516	1.8	3.9

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

Table 5.6

Investment Expenses of Life Insurers

	Millions			Average annual percent change	
	2011	2020	2021	2011/2021	2020/2021
Rental	\$197	\$233	\$222	1.2	-4.5
Employment					
Salaries	1,706	2,631	2,843	5.2	8.1
Welfare contributions/payments	277	369	401	3.7	8.4
Total	1,984	3,000	3,243	5.0	8.1
Real estate expenses	1,471	1,492	1,387	-0.6	-7.0
Interest	2,320	2,625	2,647	1.3	0.9
Depreciation on invested assets	763	965	969	2.4	0.3
Investment taxes and fees¹					
Real estate	478	622	573	1.8	-7.9
Other	95	102	116	2.0	14.1
Total	574	724	689	1.9	-4.8
Other	3,742	6,104	6,389	5.5	4.7
Aggregate total	11,050	15,143	15,547	3.5	2.7

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

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¹ Excludes federal income taxes and taxes on capital gains.

Table 5.7

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

Year	Payments to beneficiaries	Surrender values 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
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
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

Table 5.7, continued

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

Year	Payments to beneficiaries	Surrender values ¹		Policyholder dividends	Annuity payments ²	Matured endowments	Other payments ³	Total
		Life policies	Annuity contracts ²					
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
2018	79,703	35,279	319,073	18,405	83,408	405	676	536,949
2019	78,358	34,066	310,441	18,222	88,099	446	663	530,295
2020	90,429	30,447	297,461	18,053	91,559	497	685	529,130
2021	100,188	28,318	339,149	17,777	97,695	528	671	584,327

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

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NA: Not available.

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

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

³ Includes some disability benefits and retained assets.

Table 5.8

Payments to Life Insurance Beneficiaries, by Year

Year	Policies in thousands/Amounts in millions							
	Individual		Group		Credit ¹		Total	
	Policies	Amount	Certificates	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
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	20,116	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
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

Table 5.8, continued

Payments to Life Insurance Beneficiaries, by Year, continued

Year	Policies/Certificates in thousands/Amounts in millions							
	Individual		Group		Credit ¹		Total	
	Policies	Amount	Certificates	Amount	Policies	Amount	Policies	Amount
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
2018	2,697	56,749	1,032	22,679	86	276	3,815	79,703
2019	2,843	57,477	1,016	20,623	84	258	3,943	78,358
2020	3,101	67,217	1,116	22,916	82	296	4,299	90,429
2021	3,070	73,418	1,213	26,386	94	384	4,377	100,188

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.

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

Table 5.9

Health Insurance Benefit Payments by Life Insurers, by Year (millions)

Year	Total	Year	Total
1948	\$326	1998	\$70,030
1950	494	1999	74,464
1955	1,390	2000	78,784
1960	2,633	2001	76,304
1965	4,413	2002	78,723
1970	8,208	2003	81,129
1975	14,320	2004	87,789
1980	23,038	2005	78,928
1981	24,474	2006	96,455
1982	26,055	2007	105,623
1983	26,912	2008	118,465
1984	27,053	2009	121,578
1985	27,298	2010	122,075
1986	28,966	2011	120,650
1987	34,869	2012	123,419
1988	38,383	2013	127,133
1989	39,432	2014	113,269
1990	40,010	2015	114,992
1991	42,605	2016	119,586
1992	44,950	2017	126,446
1993	46,007	2018	131,945
1994	60,074	2019	141,645
1995	64,714	2020	137,741
1996	66,698	2021	147,219
1997	67,432		

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.

