

# 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 82 percent of expenditures at \$805 billion in 2023 (Table 5.1, Figure 5.1).

Operating expenses comprised 16 percent of 2023 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 2023, life insurers paid \$89 billion to beneficiaries of policyholders who died; a 2.8 percent decrease from 2022 (Table 5.2). Of this total, individual life insurance policies accounted for the largest share at \$66 billion, or 74 percent. Group life insurance payments to beneficiaries ranked second at \$22 billion, or 25 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 \$273 million in 2023.

#### 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 2023 increased by 39.1 percent to \$42 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 \$17 billion, or 11 percent of payments from life insurance policies in 2023.

*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 \$515 million in 2023.

Other payments, including disability payments and retained assets under life insurance policies, totaled \$653 million in 2023.

### **From Annuity Contracts**

Annuity benefit payments increased by 9 percent to \$104 billion in 2023 (Table 5.3).

Fifty-six percent of the annuity benefit payments, or \$58 billion, was paid to individual annuity owners, while \$43 billion, or 42 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 \$375 billion on voluntarily terminated annuities in 2023, \$5.4 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 \$153 billion in health insurance benefits to Americans in 2023 (Table 5.4). Life insurers' total health insurance benefit payments to Americans increased 10 percent from 2022 (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 2023, home- and field-office expenses comprised 8 percent of expenditures at \$78 billion (Table 5.1). Commissions to agents were \$55 billion, or 6 percent of total expenditures. Other commissions accounted for \$23 billion, or 2 percent of total expenditures.

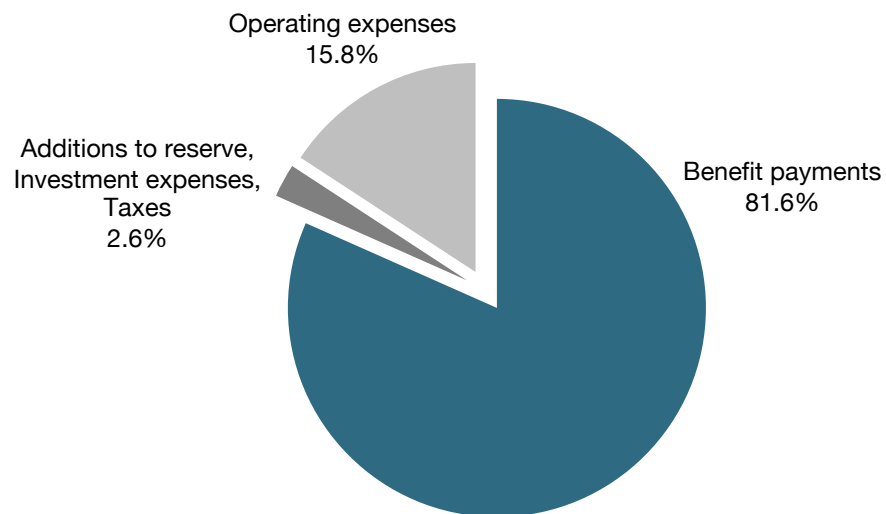
Of total office expenses, \$48 billion, or 62 percent, was in salaries and payments to employee and agent benefit plans (Table 5.5). In 2023, life insurers also spent \$9 billion on office equipment and supplies, \$4 billion on fees associated with policy issuance and claim settlement, \$3 billion on advertising, \$2 billion on office rent, and \$1 billion on travel.

## **INVESTMENT EXPENSES**

Expenses, fees, and taxes associated with investment management totaled \$23 billion in 2023 (Table 5.6). Interest expenses is the largest category at \$4.9 billion followed by salaries and welfare expenses at \$3.8 billion.

Figure 5.1

### Distribution of Life Insurers' Expenditures, 2023



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

<b>Expenditures of Life Insurers</b>					
	<b>Millions</b>			<b>Average annual percent change</b>	
	<b>2013</b>	<b>2022</b>	<b>2023</b>	<b>2013/2023</b>	<b>2022/2023</b>
<b>Contract payments</b>					
Life insurance	\$106,751	\$138,242	\$148,658	3.4	7.5
Annuities <sup>1</sup>	304,878	422,943	484,084	4.7	14.5
Health insurance	127,453	139,428	153,434	1.9	10.0
Other payments <sup>2</sup>	8,941	13,406	19,186	7.9	43.1
Total	548,023	714,020	805,362	3.9	12.8
<b>Additions to policy reserve funds<sup>3</sup></b>	101,670	191,944	-18,285	NC	NC
<b>Operating expenses</b>					
Commissions to agents	41,942	51,152	55,105	2.8	7.7
Other commissions	12,241	17,110	22,996	6.5	34.4
Home- and field-office expenses	62,406	72,364	77,610	2.2	7.3
Total	116,589	140,626	155,711	2.9	10.7
<b>Taxes<sup>4</sup></b>	17,749	15,352	20,580	1.5	34.1
<b>Investment expenses<sup>5</sup></b>	11,506	20,627	23,087	7.2	11.9
<b>Aggregate total</b>	<b>795,536</b>	<b>1,082,568</b>	<b>986,454</b>	<b>2.2</b>	<b>-8.9</b>

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.

<sup>1</sup> 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.

<sup>2</sup> Includes group conversions and interest on policy or contract funds.

<sup>3</sup> Excludes addition to reserves for deposit-type contracts.

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

<sup>5</sup> Includes investment-related taxes and fees.

NC: Not calculated.

Table 5.2

Payments From Life Insurance Policies					
	Millions			Average annual percent change	
	2013	2022	2023	2013/2023	2022/2023
<b>Payments to beneficiaries</b>					
Individual	\$43,405	\$67,791	\$66,305	4.3	-2.2
Group	20,615	23,565	22,494	0.9	-4.5
Credit	331	314	273	-1.9	-13.1
Total	64,350	91,670	89,072	3.3	-2.8
<b>Surrender values</b>					
Individual	27,477	28,822	35,770	2.7	24.1
Group	1,227	1,056	5,785	16.8	447.7
Total	28,704	29,878	41,555	3.8	39.1
<b>Policyholder dividends</b>	12,664	15,423	16,863	2.9	9.3
<b>Matured endowments</b>	396	607	515	2.7	-15.1
<b>Other payments<sup>1</sup></b>	638	664	653	0.2	-1.7
<b>Aggregate total</b>	<b>106,751</b>	<b>138,242</b>	<b>148,658</b>	<b>3.4</b>	<b>7.5</b>

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

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<sup>1</sup> Includes disability benefits and retained assets.

Table 5.3

Payments From Annuity Contracts					
	Millions			Average annual percent change	
	2013	2022	2023	2013/2023	2022/2023
<b>Annuity benefits<sup>1</sup></b>					
Individual <sup>1</sup>	\$48,219	\$54,312	\$57,949	1.9	6.7
Group <sup>1</sup>	28,236	38,570	43,311	4.4	12.3
Supplementary contracts with life contingencies	2,296	2,597	2,819	2.1	8.6
Total	78,751	95,480	104,079	2.8	9.0
<b>Surrender values<sup>2</sup></b>					
Individual	122,359	173,077	231,980	6.6	34.0
Group	100,449	150,066	142,685	3.6	-4.9
Total	222,808	323,144	374,665	5.3	15.9
<b>Policyholder dividends</b>	3,301	4,315	5,354	5.0	24.1
<b>Other payments<sup>3</sup></b>	18	4	-14	NC	NC
<b>Aggregate total</b>	<b>304,878</b>	<b>422,943</b>	<b>484,084</b>	<b>4.7</b>	<b>14.5</b>

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

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

<sup>2</sup>Excludes surrender benefits and fund withdrawals from deposit-type contracts.

<sup>3</sup>Includes death benefits, disability benefits, matured endowments and retained assets.

NC: Not calculated.

Table 5.4

Payments From Health Insurance Policies, by Line of Business			
	Millions		Average annual percent change
	2022	2023	2022/2023
<b>Comprehensive</b>	\$38,729	\$41,009	5.9
<b>Medicare/Medicaid</b>	41,642	46,381	11.4
<b>Dental only</b>	10,239	10,914	6.6
<b>Vision only</b>	1,116	1,156	3.6
<b>Disability income</b>	19,431	20,258	4.3
<b>Long term care</b>	6,167	9,584	55.4
<b>Credit</b>	188	186	-1.1
<b>Other</b>	21,916	23,945	9.3
<b>Total</b>	139,428	153,434	10.0

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

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Table 5.5

**Life Insurer Home- and Field-Office Expenses**

	Millions			Average annual percent change	
	2013	2022	2023	2013/2023	2022/2023
<b>Rental</b>	\$2,450	\$2,254	\$2,151	-1.3	-4.6
<b>Employment</b>					
Salaries	30,113	36,183	39,809	2.8	10.0
Welfare contributions and payments	7,515	7,044	8,369	1.1	18.8
<b>Total</b>	<b>37,629</b>	<b>43,227</b>	<b>48,178</b>	<b>2.5</b>	<b>11.5</b>
<b>Fees associated with policy issuance/claim settlement</b>	3,023	4,101	4,136	3.2	0.9
<b>Travel</b>	1,282	922	1,131	-1.3	22.6
<b>Advertising</b>	2,342	2,537	2,606	1.1	2.7
<b>Office equipment/supplies</b>	7,005	8,892	8,885	2.4	-0.1
<b>Miscellaneous</b>	8,675	10,431	10,523	2.0	0.9
<b>Aggregate total</b>	<b>62,406</b>	<b>72,364</b>	<b>77,610</b>	<b>2.2</b>	<b>7.3</b>

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	
	2013	2022	2023	2013/2023	2022/2023
<b>Rental</b>	\$186	\$226	\$219	1.6	-3.1
<b>Employment</b>					
Salaries	1,962	2,977	3,304	5.3	11.0
Welfare contributions/payments	347	399	471	3.1	18.1
<b>Total</b>	2,309	3,376	3,775	5.0	11.8
<b>Real estate expenses</b>	1,465	1,438	1,526	0.4	6.1
<b>Interest</b>	2,150	3,460	4,889	8.6	41.3
<b>Depreciation on invested assets</b>	774	911	890	1.4	-2.3
<b>Investment taxes and fees<sup>1</sup></b>					
Real estate	494	533	570	1.4	7.0
Other	104	117	117	1.2	-0.1
<b>Total</b>	598	650	687	1.4	5.7
<b>Other</b>	4,024	10,566	11,100	10.7	5.1
<b>Aggregate total</b>	11,506	20,627	23,087	7.2	11.9

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

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<sup>1</sup> 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 <sup>1</sup>		Policyholder dividends	Annuity payments <sup>2</sup>	Matured endowments	Other payments <sup>3</sup>	Total
		Life policies	Annuity contracts <sup>2</sup>					
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
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

Table 5.7, continued

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

Year	Payments to beneficiaries	Surrender values <sup>1</sup>		Policyholder dividends	Annuity payments <sup>2</sup>	Matured endowments	Other payments <sup>3</sup>	Total
		Life policies	Annuity contracts <sup>2</sup>					
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
2022	91,670	29,878	323,144	19,738	95,480	607	669	561,185
2023	89,072	41,555	374,665	22,217	104,079	515	639	632,742

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

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NA: Not available.

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

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

<sup>3</sup> 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 <sup>1</sup>		Total	
	Policies	Amount	Certificates	Amount	Policies	Amount	Policies/ Certificates	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
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

Table 5.8, continued

**Payments to Life Insurance Beneficiaries, by Year, continued**

Policies/Certificates in thousands/Amounts in millions								
Year	Individual		Group		Credit <sup>1</sup>		Total	
	Policies	Amount	Certificates	Amount	Policies	Amount	Policies/ Certificates	Amount
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
2022	2,899	67,791	1,123	23,565	69	314	4,091	91,670
2023	2,710	66,305	1,069	22,494	43	273	3,822	89,072

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.

<sup>1</sup> Prior 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	1999	\$74,464
1950	494	2000	78,784
1955	1,390	2001	76,304
1960	2,633	2002	78,723
1965	4,413	2003	81,129
1970	8,208	2004	87,789
1975	14,320	2005	78,928
1980	23,038	2006	96,455
1981	24,474	2007	105,623
1982	26,055	2008	118,465
1983	26,912	2009	121,578
1984	27,053	2010	122,075
1985	27,298	2011	120,650
1986	28,966	2012	123,772
1987	34,869	2013	127,133
1988	38,383	2014	113,269
1989	39,432	2015	114,992
1990	40,010	2016	119,586
1991	42,605	2017	126,446
1992	44,950	2018	131,945
1993	46,007	2019	141,645
1994	60,074	2020	137,741
1995	64,714	2021	147,219
1996	66,698	2022	139,428
1997	67,432	2023	153,434
1998	70,030		

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.