AMERICAN COUNCIL OF LIFE INSURERS

LIFE INSURERS

FACT BOOK 2012

The American Council of Life Insurers is a Washington, D.C.-based trade association. Its member companies offer life insurance, long-term care insurance, disability income insurance, reinsurance, annuities, pensions, and other retirement and financial protection products.

Library of Congress Catalog Number 47–27134

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PREFACE

The *Life Insurers Fact Book*, the annual statistical report of the American Council of Life Insurers (ACLI), provides information on trends and statistics about the life insurance industry. ACLI represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies represent over 90% of the assets and premiums of the U.S life insurance and annuity industry.

ACLI advocates the interests of life insurers and their millions of policyholders before federal and state legislators, state insurance departments, administration officials, federal regulatory agencies, and the courts. ACLI expands awareness of how the products offered by life insurers—life insurance, pensions, annuities, disability income insurance, and long-term care insurance—help Americans plan for and achieve financial and retirement security.

Unless otherwise noted, the data reported in the *Life Insurers Fact Book* are ACLI tabulations of the National Association of Insurance Commissioners (NAIC) 2011 statutory data for the life industry as of June 2012, and represent U.S. legal reserve life insurance companies and fraternal benefit societies. NAIC data are used by permission. The NAIC does not endorse any analysis or conclusions based on use of its data.

We would like to acknowledge ACLI staff who prepared the *Life Insurers Fact Book 2012*: Michele Alexander, Jim Bishop, Khari Cook, Bill Hart, Dana Kelley, Alex Olson, Ken Shields, Anna Varnavas, and Jiangmei Wang.

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METHODOLOGY

Unless otherwise noted, data in the *Life Insurers Fact Book* come from the annual statements of life insurers filed with the National Association of Insurance Commissioners (NAIC). These data represent the U.S. insurance business of companies (or branches of foreign companies) regulated by state insurance commissioners. Unless otherwise noted, data for years after 2002 include information for both life insurance companies and for fraternal benefit societies that sell life insurance products. Prior to 2003, data do not include fraternal benefit insurance sales. Where fraternal data are included, they are included as individual, rather than group, business. Data on life insurance sales by savings banks and the U.S. Department of Veterans Affairs are provided separately in Chapter 1 only.

Most of the *Fact Book* data are reported in standardized tables that summarize information for the current year (2011 data), last year (2010 data), and 10 years previous (2001 data), along with the average annual percentage change over the last year and the last ten years. In cases where 2001 data are not available, then the oldest available data are reported.

Company ownership is reflected on a fleet basis. That is, if a stock company is owned by a mutual parent, both are now classified as mutual companies. The same is true for insurance companies owned by non-U.S. parents. This affects most notably tables in Chapter 1.

The assets of a fleet typically differ slightly from the sum of the assets of individual companies in the fleet, because the net value (stockholder equity) of the subsidiary is counted at both the subsidiary and the parent level. This same double-counting discrepancy exists for liabilities, investment income, and surplus. Adjustments have been made, when possible, to eliminate the double-counting of assets, liabilities, investment income, and surplus.

Chapter 4 presents calculations of gross and net rates of return on investment based on formulas traditionally used in the industry. The net rate of return is calculated as:

(net investment income)/ 2-year average net invested assets. The formula for average net invested assets is (current year net invested assets + current year investment income due – current year borrowed money – current year payable for securities – current year capital notes – current year surplus notes + previous year net invested assets + previous year investment income due – previous year borrowed money – previous year payable for securities – previous year capital notes – previous year surplus notes – net investment income) / 2.

The gross rate of return on fixed-rate assets is calculated as:

(Gross investment income on bonds)/ average net investment in bonds. The denominator is (CY bonds + PY Bonds – gross investment income on bonds) /2.

Key U.S. Life Insurers Statistics

	2001	2010	2011	Average annual percent change 2001/2011	2010/2011
Life insurance in force (millions)[1]					
Individual	$9,345,723	$10,483,516	$10,993,501	1.6	4.9
Credit	178,851	111,805	105,685	-5.1	-5.5
Group	6,765,074	7,830,631	8,119,879	1.8	3.7
Total	16,289,648	18,425,952	19,219,065	1.7	4.3
Annuity considerations (millions)[2]					
Individual[3]	$141,656	$189,946	$217,837	4.4	14.7
Group	109,599	103,677	117,058	0.7	12.9
Total	251,255	293,622	334,895	2.9	14.1
Payments under life insurance and annuity contracts (millions)					
Payments to beneficiaries	$46,512	$58,392	$62,132	2.9	6.4
Surrenders and withdrawals[4]	181,968	219,914	239,677	2.8	9.0
Policyholder dividends	19,993	15,942	15,547	-2.5	-2.5
Annuity payments[5]	55,197	70,090	74,518	3.0	6.3
Matured endowments	549	562	606	1.0	7.9
Other payments[6]	648	699	676	0.4	-3.4
Total	304,867	365,599	393,156	2.6	7.5
Income of life insurers (millions)					
Life insurance premiums	$125,314	$104,648	$127,455	0.2	21.8
Annuity considerations[2]	251,255	293,622	334,895	2.9	14.1
Health insurance premiums	103,413	172,717	171,647	5.2	-0.6
Total	479,982	570,987	633,997	2.8	11.0
Investment income	203,399	212,841	221,007	0.8	3.8
Other income[7]	41,068	78,741	60,332	3.9	-23.4
Aggregate total	724,449	862,570	915,336	2.4	6.1
Life insurers doing business in the United States (units)					
Stock	981	695	682	-3.6	-1.9
Mutual[8]	227	126	122	-6.0	-3.2
Fraternal[9]	117	89	85	-3.1	-4.5
Other[10]	16	7	6	-9.3	-14.3
Total	1,341	917	895	-4.0	-2.4

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes.

NA: Not available.

[1]Data represent net business.

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

[3]Includes supplementary contracts with life contingencies.

[4]Beginning in 2001, excludes payments under deposit-type contracts, and includes annuity withdrawals of funds, for which a comparable amount in prior years is not available.

[5]Excludes payments under deposit-type contracts.

[6]Includes some disability benefits and retained assets.

[7]Includes commissions and expense allowance on reinsurance ceded. For 2010 and 2011, includes amortization of interest maintenance reserve.

[8]Includes stock companies owned by mutual holding companies.

[9]Includes stock companies owned by fraternal benefit societies.

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

1 OVERVIEW

U.S. life insurance companies sell the vast majority of life insurance and annuities purchased in the United States. Fraternal organizations and federal government agencies are also in the marketplace, and certain Canadian life insurers with U.S. legal reserves are allowed to sell insurance directly from their Canadian offices to U.S. purchasers. Data from Canadian companies are not included in this chapter.

At the end of 2011, 895 life insurance companies were in business in the United States (Table 1.1). The number of active companies peaked in 1988 (Table 1.7), and has since fallen steadily, mostly due to company mergers and consolidations. This streamlining has helped to reduce operating costs and general overhead, and has significantly increased efficiency.

ORGANIZATIONAL STRUCTURE

Stock and Mutual Life Insurers

Most life insurers are organized as either stock or mutual companies. Stock life insurance companies issue stock and are owned by their stockholders. Mutual companies are legally owned by their policyholders and consequently do not issue stock.

Stock life insurers can be owned by other stock life insurance companies, mutual life insurance companies, or companies outside the life insurance industry. Only policyholders own a mutual company, however. If a stock company is owned by a mutual company, that stock company is categorized as a mutual company. The majority of life insurers are stock companies—682, or 76 percent of the industry (Table 1.1). Many life insurers are affiliated with other life and non-life insurance companies in fleets with a single owner.

Besides consolidation, another recent trend in the life insurance industry is demutualization and the formation of mutual holding companies—a structure that allows easier and less expensive access to capital. In creating a mutual holding company, the mutual insurer either starts a stock insurance company or acquires a stock company. For data in this chapter, mutual holding companies are included in the totals for pure mutual companies.

Together, stock and mutual life insurers provide most of the insurance and annuities underwritten by U.S. organizations (Table 1.2). Mutual companies had $5.1 trillion of life insurance in force in 2011 and stock life insurers, $13.7 trillion. Fraternal societies and other type companies underwrite the remainder of U.S. insurance.

Other Life Insurance Providers

Fraternal benefit societies provide both social and insurance benefits to their members. These organizations are legally required to operate through a lodge system, allowing only lodge members and their families to own the fraternal society's insurance. In 2011, there were 85 fraternal life insurance companies that had $320 billion of life insurance in force and $123 billion in assets (Tables 1.1 and 1.2).

The Department of Veterans Affairs provides protection to U.S. veterans under six insurance programs: U.S. Government Life Insurance, National Service Life Insurance, Veterans' Special Life Insurance, Service-

Disabled Veterans Insurance, Veterans' Reopened Insurance, and Veterans' Mortgage Life Insurance. The federal agency also oversees three life insurance programs for members of the uniformed services: Servicemembers' Group Life Insurance, SGLI Family Coverage, and Veterans' Group Life Insurance.

Veterans' life insurance in force totaled $1.3 trillion in 2011 (Table 1.3). U.S. Government Life Insurance, covering World War I veterans, had $7 million of insurance in force in 2011, while National Service Life Insurance, for veterans of World War II and those covered by the Insurance Act of 1951, totaled $7.8 billion. Service-Disabled Veterans Insurance—for veterans separated from service after April 1951 who have a service-connected disability but are otherwise insurable—had $2.4 billion of insurance in force in 2011.

The largest life insurance plan, Servicemembers' Group Life Insurance, had $905 billion of insurance in force with 2.4 million policies at year-end 2011 (Table 1.3).

EMPLOYMENT

The insurance industry plays an important role in the nation's economy. In 2011, U.S. insurers employed 2.3 million individuals in all of their branches, remaining stable from a year earlier (Table 1.4).

Government data on employees of insurance agencies and home offices in 2011 show 1.4 million insurance home-office personnel (343,400 in life insurance) and 883,600 insurance agents, brokers, and service personnel.

FOREIGN OWNERSHIP

The proportion of life insurance companies operating in the United States that are foreign-owned was 11.7 percent in 2011 (Table 1.5).

Practically, the same countries have fielded the major foreign players in the U.S. market since the mid-1990s. Among life insurance companies operating in the United States during 2011, Canada controlled 26 companies; the Netherlands, 13; Switzerland, 13; Germany, 13; France, 9; the United Kingdom, 8 (Table 1.6).

Table 1.1

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

	In business at year's end		Average annual percent change
	2010	**2011**	**2010/2011**
Stock	695	682	-1.9
Mutual[1]	126	122	-3.2
Fraternal[2]	89	85	-4.5
Other[3]	7	6	-14.3
Total	917	895	-2.4

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Note: NAIC does not endorse any analysis or conclusions based on use of its data.
[1]Includes stock companies owned by mutual parents (life & PC) and mutual holding companies.
[2]Includes stock companies owned by fraternal benefit societies.
[3]Includes farm bureau, reciprocal, and risk retention groups.

Table 1.2

Size of U.S. Life Insurers, by Organizational Structure, 2011 (millions)

	Stock	Mutual[1]	Fraternal	Other[2]	Total
Life insurance in force	$13,676,379	$5,068,574	$319,942	$154,169	$19,219,065
Life insurance purchased	2,038,263	797,365	30,918	23,901	2,890,447
Assets	4,144,486	1,202,014	122,982	23,177	5,492,658
Benefit payments[3]	408,434	106,727	8,069	1,577	524,806
Premium income[4]	495,532	126,236	10,240	1,989	633,997

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Note: NAIC does not endorse any analysis or conclusions based on use of its data.
[1]Includes stock companies owned by mutual holding companies.
[2]Includes farm bureau, reciprocal, and risk retention groups.
[3]Includes payments to beneficiaries, surrender values, policy dividends, annuity payments, matured endowments, and other payments.
[4]Includes life insurance premiums, annuity considerations, and accident and health premiums.

Table 1.3

Veterans Life Insurance, 2011

	Policies	Face amount in force (millions)
Veterans programs		
U.S. Government Life Insurance	2,750	$7
National Service Life Insurance	645,825	7,830
Veterans' Special Life Insurance	156,709	2,122
Service-Disabled Veterans Insurance	232,174	2,390
Veterans' Reopened Insurance	26,734	274
Veterans' Mortgage Life Insurance	2,407	254
Total	1,066,599	12,877
Uniformed service member programs		
Servicemembers' Group Life Insurance (SGLI)	2,412,500	904,670
Traumatic Injury Protection (TSGLI)*	-	232,450
SGLI Family Coverage	3,228,000	130,513
Veterans' Group Life Insurance	426,492	61,076
Total	6,066,992	1,328,709
Aggregate total	7,133,591	1,341,586

Source: U.S. Department of Veterans Affairs.
*TSGLI is a rider to the basic SGLI coverage.

Table 1.4

Insurance Industry Employment in the United States

	Number employed			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Home-office personnel					
Life insurance	470,300	366,400	343,400	-3.1	-6.3
Health insurance	337,500	434,600	429,000	2.4	-1.3
Other	622,700	585,000	625,600	0.0	6.9
Total	1,430,500	1,386,000	1,398,000	-0.2	0.9
Agents, brokers, and service personnel	803,200	875,200	883,600	1.0	1.0
Aggregate total	2,233,700	2,261,200	2,281,600	0.2	0.9

Source: U.S. Department of Labor, Bureau of Labor Statistics. Current Employment Statistics survey (National).
Note: The Bureau of Labor Statistics adjusts annual employment data in April of the year following its survey.

Table 1.5

Foreign-Owned U.S. Life Insurers, 2007–2011

	Number of companies					Average annual percent change	
	2007	2008	2009	2010	2011	2007/2011	2010/2011
U.S. life insurers	1,009	976	946	917	895	-3.0	-2.4
Foreign-owned U.S. life insurers	101	105	103	106	105	1.0	-0.9
Percentage of U.S. life insurers	10.0%	10.8%	10.9%	11.6%	11.7%		

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Companies are defined as foreign owned if more than 50 percent of stock is owned by a foreign entity or entities.

Table 1.6

Foreign-Owned Life Insurers Operating in the United States, by Country of Origin

	Number of companies				
	2007	2008	2009	2010	2011
Barbados	2	2	2	2	2
Bermuda	3	4	5	5	10
Canada	26	26	23	27	26
Cayman Islands	6	5	5	5	4
France	13	11	11	12	9
Germany	5	12	12	12	13
Italy	1	1	1	1	1
Japan	3	3	3	2	3
Netherlands	15	13	13	13	13
South Africa	1	1	1	1	1
Spain	2	2	2	1	1
Sweden	1	1	1	1	1
Switzerland	11	13	13	13	13
United Kingdom	12	11	11	11	8
Total	101	105	103	106	105

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Companies are defined as foreign owned if more than 50 percent of stock is owned by a foreign entity or entities.

Table 1.7

U.S. Life Insurers Organizational Structure, by Year

	In business at year's end				
Year	**Stock**	**Mutual**	**Fraternals**	**Other**	**Total**
1950	507	142	NA	NA	649
1955	942	165	NA	NA	1,107
1960	1,286	155	NA	NA	1,441
1965	1,475	154	NA	NA	1,629
1970	1,627	153	NA	NA	1,780
1975	1,603	143	NA	NA	1,746
1980	1,823	135	NA	NA	1,958
1981	1,855	136	NA	NA	1,991
1982	1,926	134	NA	NA	2,060
1983	1,985	132	NA	NA	2,117
1984	2,062	131	NA	NA	2,193
1985	2,133	128	NA	NA	2,261
1986	2,128	126	NA	NA	2,254
1987	2,212	125	NA	NA	2,337
1988	2,225	118	NA	NA	2,343
1989	2,153	117	NA	NA	2,270
1990	2,078	117	NA	NA	2,195
1991	1,947	117	NA	NA	2,064
1992	1,835	109	NA	NA	1,944
1993	1,736	108	NA	NA	1,844
1994	1,565	115	NA	10	1,690
1995*	1,356	259	NA	35	1,650
1996*	1,331	240	NA	36	1,607
1997*	1,193	238	NA	45	1,476
1998*	1,167	248	NA	29	1,444
1999*	1,064	250	NA	33	1,347
2000*	1,016	223	NA	30	1,269
2001*	981	227	117	16	1,341
2002*	957	203	114	10	1,284
2003*	928	183	105	11	1,227
2004*	898	164	108	9	1,179
2005*	854	154	102	9	1,119
2006*	815	145	103	9	1,072
2007*	763	138	99	9	1,009
2008*	736	137	95	8	976
2009*	709	136	93	8	946
2010*	695	126	89	7	917
2011*	682	122	85	6	895

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. After 1993, data include life insurance companies that sell accident and health insurance.

NA: Not available.

*Beginning with 1995 data, stock companies that are part of fleets headed by non-stock companies are counted by the parent's ownership type, not as stock companies.

Table 1.8

Insurance Industry Employment in the United States, by Year

Year	Home-office personnel: Life insurance	Health insurance	Other	Total	Agents, brokers, and service personnel	Aggregate total
1960	452,400	50,200	329,100	831,700	217,300	1,049,000
1965	481,200	54,200	358,000	893,400	250,300	1,143,700
1970	525,600	93,900	410,200	1,029,700	288,000	1,317,700
1975	520,500	122,100	442,700	1,085,300	356,600	1,441,900
1980	531,900	141,900	550,300	1,224,100	463,800	1,687,900
1981	542,200	142,700	552,000	1,236,900	475,800	1,712,700
1982	546,100	142,100	549,100	1,237,300	485,900	1,723,200
1983	539,900	144,800	544,200	1,228,900	498,900	1,727,800
1984	536,700	153,900	549,100	1,239,700	525,000	1,764,700
1985	559,300	170,700	561,600	1,291,600	548,200	1,839,800
1986	578,200	188,100	598,500	1,364,800	579,400	1,944,200
1987	578,000	202,100	634,900	1,415,000	611,800	2,026,800
1988	570,400	216,500	648,500	1,435,400	639,600	2,075,000
1989	550,200	228,100	660,100	1,438,400	651,800	2,090,200
1990	547,500	241,600	673,100	1,462,200	663,300	2,125,500
1991	560,000	258,700	675,900	1,494,600	666,300	2,160,900
1992	550,300	270,100	675,200	1,495,600	656,600	2,152,200
1993	552,500	237,900	608,100	1,398,500	684,000	2,082,500
1994	562,600	249,400	606,500	1,418,500	700,300	2,118,800
1995	547,200	260,100	588,300	1,395,600	712,600	2,108,200
1996	510,000	278,000	593,600	1,381,600	726,400	2,108,000
1997	505,300	292,100	602,000	1,399,400	744,100	2,143,500
1998	510,600	306,200	626,300	1,443,100	766,300	2,209,400
1999	496,100	319,200	637,400	1,452,700	783,400	2,236,100
2000	481,100	327,700	623,900	1,432,700	787,800	2,220,500
2001	470,300	337,500	622,700	1,430,500	803,200	2,233,700
2002	446,000	345,100	621,700	1,412,800	820,400	2,233,200
2003	440,500	348,500	639,600	1,428,600	837,400	2,266,000
2004	392,400	372,000	634,200	1,398,600	860,100	2,258,700
2005	334,500	427,400	623,800	1,385,700	873,600	2,259,300
2006	362,400	425,000	625,400	1,412,800	890,800	2,303,600
2007	352,800	431,200	613,000	1,397,000	909,800	2,306,800
2008	356,300	441,300	599,100	1,396,700	908,500	2,305,200
2009	362,600	437,100	577,700	1,377,400	886,700	2,264,100
2010	366,400	434,600	585,000	1,386,000	875,200	2,261,200
2011	343,400	429,000	625,600	1,398,000	883,600	2,281,600

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

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

2 ASSETS

Assets held by life insurers back the companies' life, annuity, and health liabilities. Accumulating these assets—via the collection of premiums from policyholders and earnings on investments—provides the U.S. economy with an important source of investment capital. Life insurers held $5.5 trillion in assets in 2011 (Table 2.1). Assets of U.S. life insurers rose 3 percent during 2011 (Table 2.2).

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

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

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

State laws allow assets in separate accounts to be invested without regard to the restrictions usually placed on the general account. A separate account portfolio might comprise only common stocks or bonds or mortgages, or some combination of these and other investments. Separate account assets totaled $1.8 trillion at the end of 2011—down .2 percent from the previous year (Table 2.2). General account assets amounted to $3.6 trillion in 2011, up 5 percent from 2010.

BOND HOLDINGS AND ACQUISITIONS

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

At year-end 2011, 52 percent of life insurer assets were held in bonds. Total bond holdings of both general and separate accounts amounted to $2.9 trillion, up $133 billion from 2010 (Tables 2.1–2.2). Holdings of bonds in separate accounts increased 7 percent in 2011 to $258 billion. Bond holdings in general accounts increased to $2.6 trillion (Table 2.2).

Bonds are issued by a variety of borrowing organizations, including domestic and foreign corporations, the U.S. Treasury, various U.S. government agencies, and state, local, and foreign governments. Long-term U.S. Treasury securities in the general account totaled $127 billion, U.S. government obligations $57 billion, and foreign government bonds $97 billion (Table 2.3). The largest portion of long-term bonds was in unaffiliated securities, with both U.S. and foreign investments totaling $1.7 trillion, or nearly two-thirds of all long-term general account bonds (64%). Long-term bonds issued by U.S.

states, territories, and political subdivisions came to $42 billion, while bonds issued for revenue, assessment, and industrial development totaled $81 billion.

Types of Bonds

Corporate Bonds

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

Corporate debt issues in 2011 represented the largest component of life insurer assets at 33 percent (Table 2.1). Corporate debt issues totaled $1.8 trillion by year's end (Table 2.2). These investments have generally increased steadily for many years and have grown at a 3 percent annual rate in the last decade.

Government Bonds

Bonds of the U.S. government include U.S. Treasury securities and others issued by federal agencies. Government securities rose to $463 billion at the end of 2011, up $50 billion from the previous year (Tables 2.1–2.2). These holdings, in addition to U.S. Treasury and federal agency holdings, include guaranteed, special revenue, and other issues of the 50 states, District of Columbia, Puerto Rico, and U.S. territories and possessions and their political subdivisions.

The vast majority of long-term securities were invested in U.S. government securities ($360 billion) as opposed to those of foreign governments and international agencies ($103 billion), such as the International Bank for Reconstruction and Development (Table 2.1).

Characteristics of Bonds

Maturity

Bonds have limited lives and expire on a given date, called the issue's maturity date. Twenty-nine percent of general account bonds held at year-end 2011 had a maturity between five and 10 years. Another 27 percent matured between one and five years, 20 percent had a maturity over 20 years, 14 percent matured between 10 and 20 years, and 9 percent had a maturity of one year or less (Table 2.4).

At the time of purchase, 32 percent of bonds had a maturity date of 20 years or more, while 30 percent had a maturity date of 10 to 20 years (Table 2.5). Bonds with maturity dates of five to 10 years (30%), and less than five years (8%) made up the remainder.

Quality

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

Bond holdings can be categorized among six quality classes established by the National Association of Insurance Commissioners. At year-end 2011, 93 percent of total general account bonds were investment grade, Classes 1 and 2 (Table 2.6). The percentage of total bonds in or near default (Class 6) was 0.2 percent.

Of the $2.7 trillion in general account bonds held by insurance companies in 2011, $2 trillion was invested in publicly traded bonds and $690 billion in privately traded bonds (Table 2.6). Ninety-five percent of the publicly traded bonds were investment grade (Classes 1 and 2) compared with 90 percent of the privately traded bonds. Of the publicly traded bonds, 0.1 percent were in or near default (Class 6), compared with 0.4 percent of the privately traded bonds.

STOCK HOLDINGS AND ACQUISITIONS

Life insurers' changing portfolios reflect long-term shifts in investment demand. Since the early 1990s, the share of assets held in stocks has been increasing. The average annual growth in equity holdings was 6 percent between 2001 and 2011 (Table 2.2).

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

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

Life insurer holdings of corporate stock fell 2 percent between 2010 and 2011 to $1.55 trillion, accounting for more than a quarter of total assets (28%). At year-end 2011, $1.46 trillion, or 95 percent, of stock held by life insurance companies was in separate accounts (Table 2.2).

Common stock accounted for $1.54 trillion, or 99 percent, of all stock held by life insurers in 2011 (Table 2.1). Holdings of common stock decreased 2 percent in 2011 while there was a $978 million decrease in preferred-stock holdings (Tables 2.1–2.2).

MORTGAGES

Mortgages generally are considered riskier fixed-income investments than bonds. Over the past decade, life insurers have slightly reduced the relative size of their mortgage portfolios in favor of other investments. In 2011, mortgages increased 5 percent to $343 billion and accounting for 6 percent of combined account assets (Tables 2.1–2.2).

Properties underlying life insurer holdings of non-farm, nonresidential mortgages cover a broad range of commercial, industrial, and institutional uses. Among them are retail stores and shopping centers, office buildings and factories, hospitals and medical centers, and apartment buildings. Commercial mortgages have grown in importance, representing 93 percent ($320 billion) of U.S. mortgages held by life insurers at the end of 2011 (Table 2.7). Mortgages for residential properties were $5 billion, or 1 percent of total mortgages held by life insurers on U.S. properties. Farm mortgages increased to $18 billion, accounting for 5 percent of total mortgages in 2011.

Almost all of the mortgages held by life insurers were in good standing (99.3%) in 2011. Of industry-held mortgages, only 0.7 percent were either restructured, overdue, or in foreclosure in 2011.

At year-end 2011, $10 billion (3%) was held in general account mortgages with a loan-to-value ratio above 95 percent, compared with $263 billion (79%) in mortgages with a loan-to-value ratio below 71 percent (Table 2.8).

REAL ESTATE

U.S. life insurers' holdings of directly owned real estate were $29 billion at the end of 2011. This represents a 4 percent increase from 2010 (Tables 2.9).

By the end of 2011 real estate amounted to a half percent of life insurers' assets (Table 2.1). Real estate holdings in separate accounts increased $150 million during the year as real estate in general accounts increased $908 million (Table 2.2).

Real estate held to produce income totaled $23 billion, or 78 percent of all real estate owned, while real estate held for sale amounted to $420 million (Table 2.9, Figure 2.4). The remainder was in land and property held for company use, primarily home and regional offices.

POLICY LOANS

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

Life insurer loans to policyholders against the cash value of their life insurance amounted to $129 billion by year-end 2011, up 2 percent from the loans outstanding a year earlier (Tables 2.1–2.2). Policy loans accounted for 2 percent of company assets at the end of 2011

FOREIGN-CONTROLLED ASSETS

Foreign-controlled assets were $1.2 trillion, or 22 percent, of total industry assets in 2011, down slightly from 2010 (Table 2.10). Canada, followed by the Netherlands, the United Kingdom, and France own the most foreign-controlled assets of U.S. life insurers.

Table 2.1

Distribution of Life Insurer Assets, by Account Type, 2011 (millions)

	General account		Separate account		Combined accounts	
	Year's end	**Percent distribution**	**Year's end**	**Percent distribution**	**Year's end**	**Percent distribution**
Bonds						
Government securities						
U.S.	$306,331	8.4	$54,038	2.9	$360,369	6.6
Foreign	97,463	2.7	5,635	0.3	103,098	1.9
Total government	403,793	11.1	59,673	3.2	463,466	8.4
Corporate securities	1,702,987	46.7	103,994	5.6	1,806,981	32.9
Mortgage-backed securities[1]	512,417	14.1	94,628	5.1	607,045	11.1
Total long-term bonds	2,619,196	71.9	258,296	14.0	2,877,492	52.4
Stocks						
Common	74,328	2.0	1,462,647	79.1	1,536,975	28.0
Preferred	8,492	0.2	618	0.0	9,110	0.2
Total	82,820	2.3	1,463,265	79.1	1,546,085	28.1
Mortgages						
Farm	17,985	0.5	150	0.0	18,134	0.3
Residential	4,575	0.1	47	0.0	4,622	0.1
Commercial	310,684	8.5	9,391	0.5	320,075	5.8
Total	333,243	9.1	9,588	0.5	342,831	6.2
Real estate	20,934	0.6	7,975	0.4	28,909	0.5
Policy loans	128,826	3.5	507	0.0	129,333	2.4
Short-term investments	62,651	1.7	21,565	1.2	84,216	1.5
Cash & cash equivalents	37,230	1.0	18,392	1.0	55,622	1.0
Derivatives	44,358	1.2	998	0.1	45,356	0.8
Other invested assets	140,334	3.9	42,419	2.3	182,753	3.3
Non-invested assets	173,939	4.8	26,122	1.4	200,062	3.6
Aggregate total	3,643,531	100.0	1,849,127	100.0	5,492,658	100.0

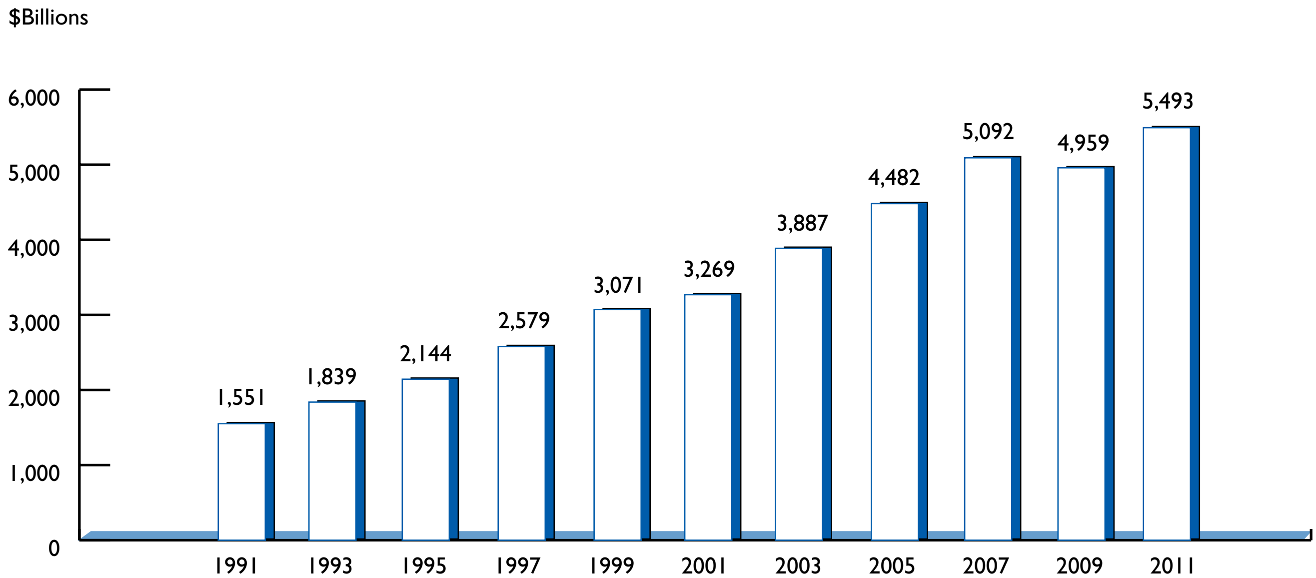
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data reflect investments held at year's end. Data represent U.S. life insurers and fraternal benefit societies.

[1]Includes Ginnie Mae (GNMA).

Figure 2.1

Growth of Life Insurer Assets



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 2.2

Distribution of Life Insurer Assets, by Account Type and Year[1]

	General account (millions)			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Bonds					
Government	$318,106	$365,700	$403,793	2.4	10.4
Corporate	1,246,514	1,611,217	1,702,987	3.2	5.7
MBS[1]	NA	526,877	512,417	NA	-2.7
Total	1,564,620	2,503,794	2,619,196	5.3	4.6
Stocks					
Common	63,511	73,026	74,328	1.6	1.8
Preferred	21,327	9,484	8,492	-8.8	-10.5
Total	84,837	82,510	82,820	-0.2	0.4
Mortgages	236,873	317,273	333,243	3.5	5.0
Real estate	22,231	20,026	20,934	-0.6	4.5
Policy loans	103,212	126,273	128,826	2.2	2.0
Short-term investments	NA	63,688	62,651	NA	-1.6
Cash & cash equivalents	26,710	33,892	37,230	3.4	9.9
Derivatives	NA	21,594	44,358	NA	105.4
Other invested assets	64,179	128,346	140,334	8.1	9.3
Non-invested assets	95,791	160,549	173,939	6.1	8.3
Aggregate total	2,198,453	3,457,944	3,643,531	5.2	5.4

Continued

Table 2.2

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

	Separate account (millions)			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Bonds					
Government	$59,385	$47,745	$59,673	0.0	25.0
Corporate	107,787	89,144	103,994	-0.4	16.7
MBS[1]	NA	104,075	94,628	NA	-9.1
Total	167,171	240,964	258,296	4.4	7.2
Stocks					
Common	823,580	1,487,111	1,462,647	5.9	-1.6
Preferred	608	603	618	0.2	2.5
Total	824,188	1,487,714	1,463,265	5.9	-1.6
Mortgages	6,723	9,715	9,588	3.6	-1.3
Real estate	10,137	7,826	7,975	-2.4	1.9
Policy loans	1,061	549	507	-7.1	-7.5
Short-term investments	NA	19,745	21,565	NA	9.2
Cash & cash equivalents	10,283	19,316	18,392	6.0	-4.8
Derivatives	NA	1,576	998	NA	-36.7
Other invested assets	44,830	35,808	42,419	-0.6	18.5
Non-invested assets	6,172	30,048	26,122	15.5	-13.1
Aggregate total	1,070,566	1,853,260	1,849,127	5.6	-0.2

	Combined accounts (millions)			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Bonds					
Government	$377,491	$413,445	$463,466	2.1	12.1
Corporate	1,354,301	1,700,360	1,806,981	2.9	6.3
MBS[1]	NA	630,952	607,045	NA	-3.8
Total	1,731,792	2,744,758	2,877,492	5.2	4.8
Stocks					
Common	887,091	1,560,138	1,536,975	5.7	-1.5
Preferred	21,935	10,087	9,110	-8.4	-9.7
Total	909,026	1,570,225	1,546,085	5.5	-1.5
Mortgages	243,596	326,988	342,831	3.5	4.8
Real estate	32,368	27,851	28,909	-1.1	3.8
Policy loans	104,273	126,821	129,333	2.2	2.0
Short-term investments	NA	83,432	84,216	NA	0.9
Cash & cash equivalents	36,993	53,208	55,622	4.2	4.5
Derivatives	NA	23,170	45,356	NA	95.8
Other invested assets	109,010	164,154	182,753	5.3	11.3
Non-invested assets	101,963	190,597	200,062	7.0	5.0
Aggregate total	3,269,019	5,311,204	5,492,658	5.3	3.4

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data reflect investments held at year's end. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

[1]Includes Ginnie Mae (GNMA); separate accounts includes ABS.

Table 2.3

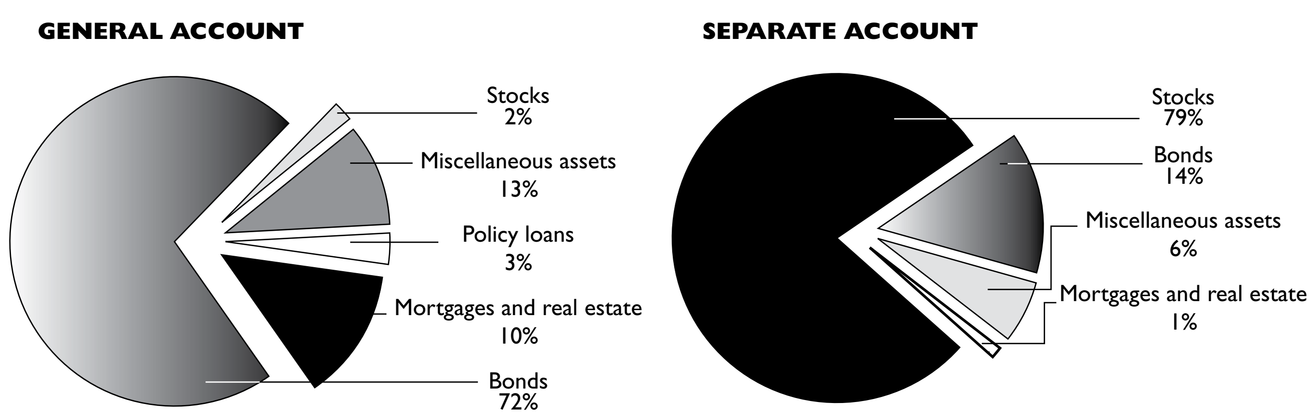
Distribution of Long-Term General Account Bond Investments

	2010		2011	
	Amount (millions)	Percent distribution	Amount (millions)	Percent distribution
U.S. Treasury securities	$120,468	4.8	$126,731	4.8
U.S. government obligations	61,141	2.4	57,330	2.2
Foreign government	71,211	2.8	97,463	3.7
U.S. states and territories	17,258	0.7	17,980	0.7
U.S. political subdivisions	22,305	0.9	23,666	0.9
Revenue and assessment	71,406	2.9	78,080	3.0
Industrial development	1,910	0.1	2,544	0.1
Mortgage-backed securities	526,877	21.0	512,417	19.6
Pass-through securities				
GNMA	17,985	0.7	18,272	0.7
FNMA and FHLMC	87,506	3.5	90,973	3.5
Privately issued	14,174	0.6	13,816	0.5
CMOs and REMICs				
GNMA, FNMA, FHLMC or VA	132,802	5.3	131,707	5.0
Privately issued and collateralized by MBS	8,693	0.3	6,647	0.3
All other privately issued	265,718	10.6	251,002	9.6
Other				
Unaffiliated securities	1,592,467	63.6	1,683,311	64.3
Affiliated securities	18,750	0.7	19,676	0.8
Total	2,503,794	100.0	2,619,196	100.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Figure 2.2

Asset Distribution of Life Insurers, 2011



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.4

Distribution of General Account Bonds, by Remaining Maturity, 2007–2011

	Percentage of general account bonds held at year's end					
	1 year or less	More than 1 year to 5 years	More than 5 years to 10 years	More than 10 years to 20 years	More than 20 years	Total
Government						
2007	8.3	19.9	23.1	25.9	22.8	100.0
2008	15.0	19.4	20.6	21.6	23.3	100.0
2009	11.1	22.6	20.2	21.1	25.0	100.0
2010	9.5	20.5	19.8	23.9	26.3	100.0
2011	10.7	18.4	19.4	25.7	25.9	100.0
Corporate						
2007	10.0	29.2	32.9	11.0	16.9	100.0
2008	10.5	31.2	32.1	10.3	15.8	100.0
2009	10.1	30.9	31.3	10.0	17.7	100.0
2010	9.6	30.5	31.3	10.3	18.3	100.0
2011	8.7	30.0	32.6	10.4	18.3	100.0
Total						
2007	9.7	27.3	30.9	14.1	18.1	100.0
2008	11.5	28.6	29.6	12.8	17.5	100.0
2009	10.3	28.9	28.7	12.6	19.4	100.0
2010	9.6	28.0	28.5	13.7	20.3	100.0
2011	9.2	27.0	29.2	14.3	20.3	100.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.5

Distribution of General Account Long-Term Bonds at Time of Purchase, 2011

Maturity	Percent distribution
20 years and over	31.5
10 years to less than 20 years	30.0
5 years to less than 10 years	30.3
Less than 5 years	8.1
Total	100.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.6

Distribution of General Account Bonds, by NAIC Quality Class[1]

PUBLIC BONDS	**2001**		**2010**		**2011**	
NAIC quality class	**Amount (millions)**	**Percentage of publicly traded bonds**	**Amount (millions)**	**Percentage of publicly traded bonds**	**Amount (millions)**	**Percentage of publicly traded bonds**
High quality						
Class 1	$786,248	67.1	$1,393,533	72.0	$1,434,049	71.4
Class 2	316,837	27.0	440,416	22.8	469,744	23.4
Medium quality						
Class 3	39,683	3.4	60,506	3.1	61,466	3.1
Low quality						
Class 4	20,371	1.7	28,744	1.5	31,873	1.6
Class 5	6,182	0.5	9,303	0.5	8,447	0.4
Class 6	3,037	0.3	2,246	0.1	2,376	0.1
Total	1,172,358	100.0	1,934,748	100.0	2,007,954	100.0

PRIVATE BONDS	**2001**		**2010**		**2011**	
NAIC quality class	**Amount (millions)**	**Percentage of privately traded bonds**	**Amount (millions)**	**Percentage of privately traded bonds**	**Amount (millions)**	**Percentage of privately traded bonds**
High quality						
Class 1	$179,007	45.6	$311,120	47.5	$321,099	46.5
Class 2	165,182	42.1	265,345	40.5	296,131	42.9
Medium quality						
Class 3	29,091	7.4	43,303	6.6	44,173	6.4
Low quality						
Class 4	12,010	3.1	20,597	3.1	17,714	2.6
Class 5	4,780	1.2	10,550	1.6	8,146	1.2
Class 6	2,192	0.6	3,450	0.5	2,562	0.4
Total	392,262	100.0	654,365	100.0	689,825	100.0

TOTAL BONDS	**2001**		**2010**		**2011**	
NAIC quality class	**Amount (millions)**	**Percentage of general account bonds**	**Amount (millions)**	**Percentage of general account bonds**	**Amount (millions)**	**Percentage of general account bonds**
High quality						
Class 1	$965,255	61.7	$1,704,653	65.8	$1,755,148	65.1
Class 2	482,019	30.8	705,760	27.3	765,874	28.4
Medium quality						
Class 3	68,774	4.4	103,809	4.0	105,639	3.9
Low quality						
Class 4	32,381	2.1	49,341	1.9	49,586	1.8
Class 5	10,962	0.7	19,853	0.8	16,593	0.6
Class 6	5,229	0.3	5,696	0.2	4,938	0.2
Aggregate total	1,564,620	100.0	2,589,113	100.0	2,697,778	100.0

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

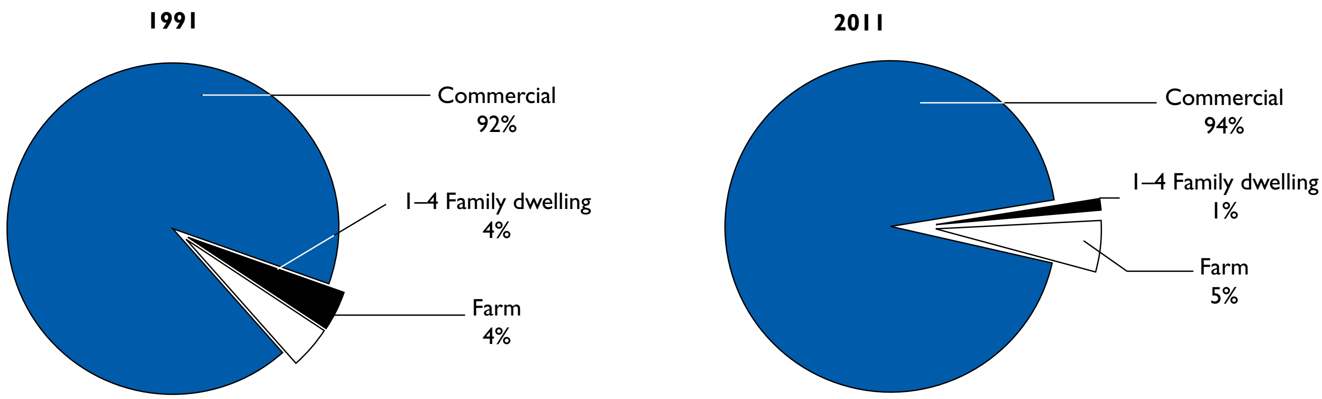
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Figures include both government and corporate bonds held in corporate general accounts of U.S. life insurers and, as of 2003, fraternal benefit societies.

NAIC bond classes are: Class 1—highest quality; Class 2—high quality; Class 3—medium quality; Class 4—low quality; Class 5—lower quality; Class 6—in or near default. Class 1 and Class 2 bonds are investment grade.

[1]Includes long-term bonds, short-term investments, and cash equivalents.

Figure 2.3

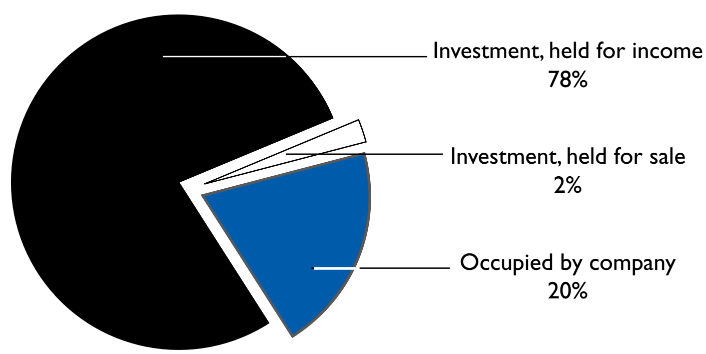
Mortgages Held by Life Insurers, by Type



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers, and for 2011, fraternal benefit societies.

Figure 2.4

Real Estate Owned by Life Insurers, 2011



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.7

Quality of Mortgages Held by Life Insurers (millions)

	2001		2010		2011	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent distribution
Farm						
In good standing	$13,470	97.6	$17,780	99.8	$18,103	99.8
Restructured	215	1.6	12	0.1	15	0.1
Overdue	74	0.5	16	0.1	15	0.1
Foreclosed	48	0.3	3	0.0	2	0.0
Total	13,808	100.0	17,811	100.0	18,134	100.0
Residential						
In good standing	5,020	98.3	3,894	98.6	4,564	98.8
Restructured	33	0.7	8	0.2	11	0.2
Overdue	30	0.6	23	0.6	20	0.4
Foreclosed	22	0.4	24	0.6	27	0.6
Total	5,105	100.0	3,948	100.0	4,622	100.0
Commercial						
In good standing	222,227	98.9	303,037	99.3	317,765	99.3
Restructured	2,090	0.9	917	0.3	1,402	0.4
Overdue	208	0.1	796	0.3	625	0.2
Foreclosed	158	0.1	479	0.2	283	0.1
Total	224,683	100.0	305,229	100.0	320,075	100.0
All categories						
In good standing	240,717	98.8	324,711	99.3	340,432	99.3
Restructured	2,339	1.0	937	0.3	1,428	0.4
Overdue	313	0.1	834	0.3	660	0.2
Foreclosed	227	0.1	506	0.2	312	0.1
Aggregate total	243,596	100.0	326,988	100.0	342,831	100.0

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 2.8

General Account Mortgages for Life Insurers, by Type and Loan-to-Value Ratios, 2011 (millions)

Loan-to-value ratio	Farm	Non-Farm	Total
Above 95%	$23	$9,488	$9,511
91–95%	70	3,597	3,666
81–90%	174	14,236	14,410
71–80%	439	41,959	42,398
Below 71%	17,279	245,979	263,258
Total	17,985	315,258	333,243

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 2.9

Real Estate Owned by Life Insurers, by Type

	Millions			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Investment property					
Held for income	$18,352	$21,486	$22,632	2.1	5.3
Held for sale	7,710	446	420	-25.2	-5.7
Total	26,062	21,932	23,053	-1.2	5.1
Occupied by company	6,306	5,919	5,857	-0.7	-1.1
Aggregate total	32,368	27,851	28,909	-1.1	3.8

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, as of 2003, fraternal benefit societies.

Table 2.10

Foreign-Controlled Assets of U.S. Life Insurers, by Country and Year (millions)

	2007	2008	2009	2010	2011
Barbados	$564	$569	$716	$839	$924
Bermuda	1,665	2,425	3,343	3,590	13,461
Canada	333,142	294,401	333,777	368,127	364,952
Cayman Islands	4,526	3,112	2,764	2,373	2,297
France	165,796	133,533	148,828	157,069	154,012
Germany	76,323	76,445	86,188	95,975	102,998
Italy	801	831	913	987	1,033
Japan	608	589	593	616	663
Netherlands	390,678	349,225	359,240	373,712	362,738
South Africa	28	23	9	4	4
Spain	154	178	193	75	74
Sweden	1	1	1	1	1
Switzerland	57,431	56,334	55,345	53,276	52,272
United Kingdom	136,041	135,786	149,075	170,650	164,894
Total	1,167,757	1,053,451	1,140,986	1,227,293	1,220,323
Percentage of industry assets	22.9%	22.7%	23.0%	23.1%	22.2%

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Companies are defined as foreign controlled if more than 50 percent of stock is owned by a foreign entity or entities.

Table 2.11

Asset Distribution of Life Insurers, by Year (millions)

Year	Bonds	Stocks	Mortgages	Real estate	Policy loans	Miscellaneous assets	Total
1917	$2,537	$83	$2,021	$179	$810	$311	$5,941
1920	3,298	75	2,442	172	859	474	7,320
1925	4,333	81	4,808	266	1,446	604	11,538
1930	6,431	519	7,598	548	2,807	977	18,880
1935	10,041	583	5,357	1,990	3,540	1,705	23,216
1940	17,092	605	5,972	2,065	3,091	1,977	30,802
1945	32,605	999	6,636	857	1,962	1,738	44,797
1950	39,366	2,103	16,102	1,445	2,413	2,591	64,020
1955	47,741	3,633	29,445	2,581	3,290	3,742	90,432
1960	58,555	4,981	41,771	3,765	5,231	5,273	119,576
1965	70,152	9,126	60,013	4,681	7,678	7,234	158,884
1970	84,166	15,420	74,375	6,320	16,064	10,909	207,254
1975	121,014	28,061	89,167	9,621	24,467	16,974	289,304
1980	212,618	47,366	131,080	15,033	41,411	31,702	479,210
1981	233,308	47,670	137,747	18,278	48,706	40,094	525,803
1982	268,288	55,730	141,989	20,624	52,961	48,571	588,163
1983	308,738	64,868	150,999	22,234	54,063	54,046	654,948
1984	358,897	63,335	156,699	25,767	54,505	63,776	722,979
1985	421,446	77,496	171,797	28,822	54,369	71,971	825,901
1986	486,583	90,864	193,842	31,615	54,055	80,592	937,551
1987	557,110	96,515	213,450	34,172	53,626	89,586	1,044,459
1988	640,094	104,373	232,863	37,371	54,236*	97,933	1,166,870
1989	716,204	125,614	254,215	39,908	57,439	106,376	1,299,756
1990	793,443	128,484	270,109	43,367	62,603	110,202	1,408,208
1991	893,005	164,515	265,258	46,711	66,364	115,348	1,551,201
1992	990,315	192,403	246,702	50,595	72,058	112,458	1,664,531
1993	1,113,853	251,885	229,061	54,249	77,725	112,354	1,839,127
1994	1,186,139	281,816	215,332	53,813	85,499	119,674	1,942,273
1995	1,278,416	371,867	211,815	52,437	95,939	133,070	2,143,544
1996	1,348,425	477,505	207,779	49,484	100,460	139,894	2,323,547
1997	1,451,289	598,358	209,898	46,076	104,549	168,908	2,579,078
1998	1,518,998	757,958	216,336	41,313	104,507	187,410	2,826,522
1999	1,551,618	989,762	229,797	38,186	98,757	162,533	3,070,653
2000	1,605,178	997,329	236,701	36,059	101,978	204,491	3,181,736
2001	1,731,792	909,026	243,596	32,368	104,273	247,966	3,269,019
2002	1,955,548	791,429	250,531	32,848	105,229	244,414	3,380,000
2003 ‡	2,181,555	1,022,188	268,986	30,673	107,007	276,291	3,886,699
2004 ‡	2,347,322	1,179,858	282,534	31,005	108,658	303,470	4,252,846
2005 ‡	2,440,412	1,285,468	294,876	32,574	109,500	319,165	4,481,995
2006 ‡	2,461,479	1,530,892	313,741	33,096	112,914	370,701	4,822,824
2007 ‡	2,571,525	1,670,338	336,150	34,943	116,633	361,997	5,091,586
2008 ‡	2,429,173	1,135,797	352,676	32,497	122,485	575,518	4,648,147
2009 ‡	2,581,575	1,385,923	336,316	27,714	123,283	503,884	4,958,693
2010 ‡	2,744,758	1,570,225	326,988	27,851	126,821	514,561	5,311,204
2011 ‡	2,877,492	1,546,085	342,831	28,909	129,333	568,008	5,492,658

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Beginning with 1962, data include assets in separate accounts. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

‡Includes fraternal benefit societies.

3 LIABILITIES

The liabilities of U.S. life insurers primarily comprise the reserves held by each insurer to back its obligations to policyholders and their beneficiaries. Of the many different kinds of reserves, policy and asset fluctuation reserves are the most important. Liabilities also include small amounts of other funds and obligations.

Based on standard accounting principles applied to all businesses, total liabilities plus the company's net value must equal its total assets. Net value is a company's surplus plus its capital stock and is available to support policyholder claims if necessary.

POLICY RESERVES

Policy reserves concern an insurer's obligation to its customers arising from its product in force. State law requires each company to maintain its policy reserves at a level that will assure payment of all policy obligations as they fall due. That level is calculated on an actuarial basis, taking into account funds from future premium payments, assumed future interest earnings, and expected mortality experience. At the end of 2011, policy reserves of U.S. life insurers totaled $4.2 trillion, four percent higher than 2010 (Table 3.1).

Policy reserves are held and identified for each type of business conducted by a life insurer:

- Life insurance policies
- Annuities and supplementary contracts
- Health insurance policies

The composition of life insurer policy reserves has changed over the years, reflecting a shift in the basic types of business undertaken. Annuity contract reserves now account for a larger proportion of total policy reserves, while reserves set aside for life insurance policies have a lesser share.

In 2011, reserves for life insurance comprised 30 percent of total policy reserves, at $1.3 trillion (Figure 3.2, Table 3.2). This proportion has shrunk from 1980, when life insurance products commanded 51 percent of total reserves (Table 3.6). In 2011, these reserves consisted of $1.1 trillion for individual life policies, $144 billion for group policies, and less than $1 billion for credit life policies (Table 3.2).

By contrast, reserves for annuities and supplementary contracts climbed to nearly two-thirds of total reserves in 2011 (64%), or $2.7 trillion, from 44 percent in 1980. Much of the increase reflects the strong growth in retirement plans administered by life insurers.

In 2011, annuity reserves consisted of $1.8 trillion for individual annuities, up three percent from 2010, and $871 billion for group annuities, up about one percent. General account annuity reserves increased by five percent while separate account reserves increased by half a percent (Table 3.2). Group annuity reserves had fallen significantly in 2001, primarily due to accounting codification rather than actual fluctuation. In 2000, liabilities for guaranteed interest contracts (GICs) and premium and other deposit funds had been reported as annuity reserves; however, as of 2001 these amounts were counted as liabilities for deposit-type contracts. Since most GICs and other deposit-type funds are under group contracts, this accounting change has had a substantial effect on group annuity reserves.

Reserves held under supplementary contracts with life contingencies in 2011 totaled $18 billion, and for health insurance policies, $229 billion.

DEPOSIT-TYPE CONTRACTS

Contracts issued by life insurers that do not incorporate mortality or morbidity risks are known as deposit-type contracts. Benefit payments under these contracts are not contingent upon death or disability as they are in life and disability insurance contracts, or upon continued survival as they are in annuity contracts. Categories of deposit-type contracts, as defined by the National Association of Insurance Commissioners (NAIC), include GICs, supplementary contracts without life contingencies, annuities certain, premium and other deposit funds, dividend and coupon accumulations, lottery payouts, and structured settlements.

Under codified statutory accounting practices implemented in 2001, cash inflows and outflows on deposit-type contracts are no longer reported as income and expenditure. Instead, they are recorded directly as increasing or decreasing reserves. During 2011, $137 billion was deposited to these contracts and $154 billion was withdrawn, with a total reserve of $413 billion at year's end (Table 3.3).

In 2011, premium and other deposit funds remained the largest category of the deposit-type business with $67 billion in deposits, $74 billion in payments, and $177 billion in reserve at year-end. GICs received $45 billion from policyholders and paid out $52 billion in 2011, leaving a reserve of $132 billion at year's end.

ASSET FLUCTUATION RESERVES

Besides policy reserves, insurers are required to establish two statutory reserves to absorb gains and losses in their invested assets.

The asset valuation reserve (AVR) absorbs both realized and unrealized, credit-related capital gains and losses. The AVR consists of a default component, which provides for credit-related losses on fixed-income assets, and an equity component, which provides for all types of equity investments.

The interest maintenance reserve (IMR) captures all realized, interest-related capital gains and losses on fixed-income assets. The IMR amortizes these gains and losses into income over the remaining life of the investments sold.

In 2011, the industry's total AVR increased almost 27 percent to $40 billion, and its IMR increased 32 percent to $21 billion (Table 3.1).

OTHER LIABILITIES

In addition to reserves, other liability funds of U.S. life insurers at the end of 2011 included $44 billion in policy and contract claims; $17 billion set aside for the following year's dividend payments to policyholders; and $369 billion for liabilities not directly allocable to policyholders—incurred expenses, mandatory reserves for fluctuations in security values, and insurance premiums paid in advance, for example (Table 3.1).

SURPLUS FUNDS AND CAPITAL STOCK

Surplus and capital amounted to $321 billion for U.S. life insurers at the end of 2011 (Table 3.1). Surplus funds provide extra reserve safeguards for such contingencies as an unexpected rise in death rates among policyholders, unusual changes in the value of securities, and general protection for policy obligations. Several factors influence the amount of surplus that a life insurer retains, including company size, kinds of insurance written, mortality experience, general business conditions, and government regulation. Capital refers to the total par value of shares of the companies' capital stock.

CAPITAL RATIOS

One measure of the adequacy of a life insurer's surplus is its capital ratio: surplus funds plus capital stock plus AVR as a percentage of general account assets. Theoretically, the higher the capital ratio, the better a company is able to withstand adverse investment and mortality experience. However, the type of company and the distribution of its book of business can make comparisons among companies and with an industry wide average much less meaningful. In 2011, the aggregate capital ratio of U.S. life insurers was 10 percent (Table 3.4).

Life insurance regulators created the risk-based capital (RBC) ratio to monitor life insurance company solvency. Risk-based capital, calculated according to an NAIC model law, is considered the minimum amount of capital an insurer needs to avoid triggering regulatory action. The RBC ratio is total adjusted capital divided by risk-based capital, for a threshold ratio of 100 percent. The ratio provides a means for evaluating the adequacy of an insurer's capital relative to the risks inherent in the insurer's operations.

From 1993 when life insurers began reporting risk-based capital, the average RBC ratio rose steadily to a plateau of 290 percent in 1997, which remained unbroken until 2001 (Table 3.5). That year, the ratio jumped to 346 percent, mainly due to two changes enacted by NAIC: accounting codification and an adjusted RBC formula that reflects changed risks for assets. In 2011, the ratio was almost unchanged from 2010 level at 457 percent.

Most companies have an RBC ratio well above the regulatory minimum level of 100 percent. By year-end 2011, 794 companies, or 92 percent of life insurers, had a ratio of 200 percent or more. These companies carried 99 percent of the industry's total assets.

Table 3.1

Liabilities and Surplus Funds of Life Insurers

	General account (millions)			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Reserves					
Policy reserves[1]	$1,541,006	$2,473,369	$2,616,022	5.4	5.8
Other reserves					
Liabilities for deposit-type contracts[2]	236,574	281,494	276,033	1.6	-1.9
Asset valuation reserve (AVR)	30,603	31,340	39,725	2.6	26.8
Policy and contract claims	35,721	42,106	43,607	2.0	3.6
Funds set aside for policyholder dividends	18,689	17,356	17,328	-0.8	-0.2
Interest maintenance reserve (IMR)	8,375	15,973	21,054	9.7	31.8
Miscellaneous reserves[3]	7,825	18,619	23,611	11.7	26.8
Total other reserves	337,785	406,887	421,358	2.2	3.6
Total reserves	1,878,791	2,880,256	3,037,380	4.9	5.5
Non-reserve liabilities	149,970	262,695	288,935	6.8	10.0
Total liabilities	2,028,761	3,142,951	3,326,315	5.1	5.8
Capital and surplus	187,654	314,993	317,216	5.4	0.7
Total liabilities and surplus funds	2,216,415	3,457,944	3,643,531	5.1	5.4

	Separate account (millions)			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Reserves					
Policy reserves[1]	$904,966	$1,624,219	$1,628,428	6.1	0.3
Other reserves					
Liabilities for deposit-type contracts[2]	101,140	139,000	137,010	3.1	-1.4
Interest maintenance reserve (IMR)	132	160	176	2.9	10.1
Total other reserves	101,272	139,160	137,186	3.1	-1.4
Total reserves	1,006,238	1,763,379	1,765,615	5.8	0.1
Non-reserve liabilities	43,293	86,155	79,603	6.3	-7.6
Total liabilities	1,049,531	1,849,533	1,845,218	5.8	-0.2
Surplus	3,073	3,727	3,910	2.4	4.9
Total liabilities and surplus funds	1,052,604	1,853,260	1,849,127	5.8	-0.2

Continued

Table 3.1

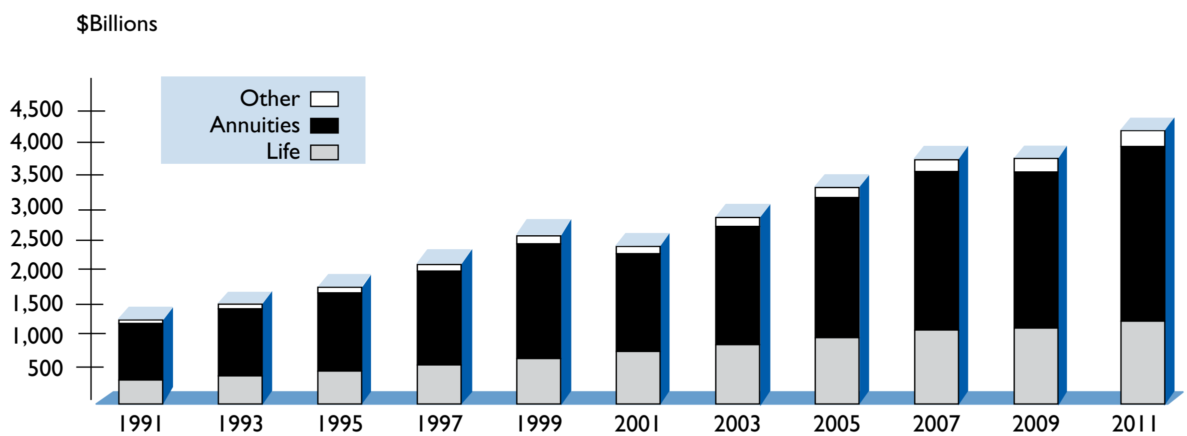
Liabilities and Surplus Funds of Life Insurers—Continued

	Combined account (millions)			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Reserves					
Policy reserves[1]	$2,445,972	$4,097,587	$4,244,451	5.7	3.6
Other reserves					
Liabilities for deposit-type contracts[2]	337,713	420,494	413,044	2.0	-1.8
Asset valuation reserve (AVR)	30,603	31,340	39,725	2.6	26.8
Policy and contract claims	35,721	42,106	43,607	2.0	3.6
Funds set aside for policyholder dividends	18,689	17,356	17,328	-0.8	-0.2
Interest maintenance reserve (IMR)	8,507	16,133	21,230	9.6	31.6
Miscellaneous reserves[3]	7,825	18,619	23,611	11.7	26.8
Total other reserves	439,057	546,047	558,544	2.4	2.3
Total reserves	2,885,029	4,643,635	4,802,995	5.2	3.4
Non-reserve liabilities	193,263	348,850	368,538	6.7	5.6
Total liabilities	3,078,291	4,992,484	5,171,533	5.3	3.6
Capital and surplus	190,727	318,720	321,126	5.3	0.8
Total liabilities and surplus funds	3,269,019	5,311,204	5,492,658	5.3	3.4

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.
[1]Beginning in 2001, excludes reserves for guaranteed interest contracts (GICs).
[2]Prior to 2001, included supplementary contracts without life contingencies and policyholder dividend accumulations; beginning in 2001, also includes liabilities for GICs, and premium and other deposits.
[3]Includes insurance premiums paid in advance. The amount previously was included in non-reserve liabilities.

Figure 3.1

Growth of Life Insurers' Policy Reserves



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 3.2

Policy Reserves of Life Insurers, by Line of Business

	General account (millions)			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Life insurance					
Individual	$619,089	$935,109	$997,563	4.9	6.7
Group	36,203	53,371	55,502	4.4	4.0
Credit	3,398	807	667	-15.0	-17.4
Total	658,690	989,288	1,053,732	4.8	6.5
Annuities[1]					
Individual	509,648	942,007	994,467	6.9	5.6
Group	260,269	314,873	323,913	2.2	2.9
Supplementary contracts with life contingencies	12,581	15,946	17,161	3.2	7.6
Total	782,498	1,272,826	1,335,541	5.5	4.9
Health insurance					
Individual	65,295	158,231	171,869	10.2	8.6
Group	31,640	51,794	53,804	5.5	3.9
Credit	2,883	1,229	1,077	-9.4	-12.4
Total	99,818	211,255	226,749	8.6	7.3
Aggregate total	1,541,006	2,473,369	2,616,022	5.4	5.8

	Separate account (millions)			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Life insurance					
Individual	$101,495	$148,622	$143,793	3.5	-3.2
Group	55,360	85,989	88,159	4.8	2.5
Total	156,855	234,611	231,952	4.0	-1.1
Annuities[1]					
Individual	435,313	837,924	845,707	6.9	0.9
Group	311,182	548,227	547,212	5.8	-0.2
Supplementary contracts with life contingencies	728	815	847	1.5	3.9
Total	747,224	1,386,967	1,393,767	6.4	0.5
Health insurance					
Individual	1	310	0	NC	NC
Group	887	2,330	2,709	11.8	16.3
Total	888	2,641	2,709	11.8	2.6
Aggregate total	904,966	1,624,219	1,628,428	6.1	0.3

Continued

Table 3.2

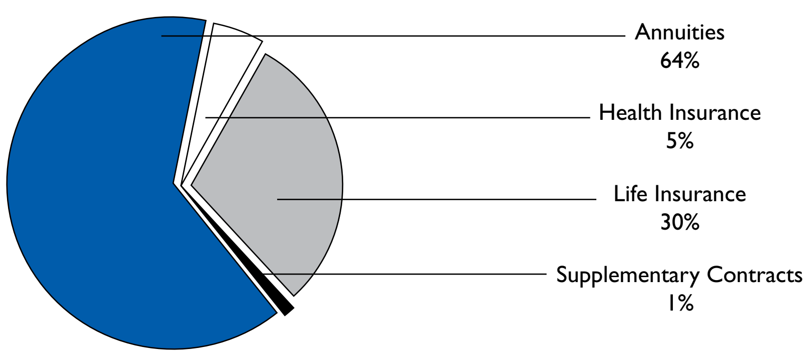
Policy Reserves of Life Insurers, by Line of Business—Continued

	Combined account (millions)			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Life insurance					
Individual	$720,583	$1,083,731	$1,141,356	4.7	5.3
Group	91,563	139,360	143,661	4.6	3.1
Credit	3,398	807	667	-15.0	-17.4
Total	815,544	1,223,899	1,285,684	4.7	5.0
Annuities[1]					
Individual	944,961	1,779,931	1,840,174	6.9	3.4
Group	571,451	863,100	871,126	4.3	0.9
Supplementary contracts with life contingencies	13,309	16,761	18,008	3.1	7.4
Total	1,529,722	2,659,793	2,729,308	6.0	2.6
Health insurance					
Individual	65,296	158,542	171,869	10.2	8.4
Group	32,527	54,125	56,513	5.7	4.4
Credit	2,883	1,229	1,077	-9.4	-12.4
Total	100,706	213,896	229,459	8.6	7.3
Aggregate total	2,445,972	4,097,587	4,244,451	5.7	3.6

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit socieites.
NC: Not calculated.
[1]As of 2001, excludes reserves for guaranteed interest contracts (GICs). Figures for GICs are presented in Table 3.3.

Figure 3.2

Distribution of Life Insurers' Policy Reserves, 2011



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 3.3

Deposit-Type Contracts, 2011 (millions)

	Deposits	Withdrawals	Reserves
General account			
Guaranteed interest contracts (GICs)	$35,958	$43,071	$77,810
Annuities certain	3,896	5,926	38,606
Supplementary contracts without life contingencies	20,117	19,844	42,046
Dividend accumulations or refunds	976	1,930	22,668
Premium and other deposit funds	52,238	58,074	94,903
Total	113,184	128,844	276,033
Separate account			
Guaranteed interest contracts (GICs)	8,701	8,830	54,640
Annuities certain	210	67	634
Supplementary contracts without life contingencies	25	56	124
Dividend accumulations or refunds	0	0	1
Premium and other deposit funds	14,573	15,704	81,612
Total	23,508	24,657	137,010
Combined account			
Guaranteed interest contracts (GICs)	44,658	51,900	132,450
Annuities certain	4,105	5,993	39,240
Supplementary contracts without life contingencies	20,142	19,900	42,170
Dividend accumulations or refunds	976	1,930	22,669
Premium and other deposit funds	66,811	73,778	176,515
Total	136,693	153,501	413,044

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 3.4

Capital Ratios of Life Insurers (percent)

	2001	2010	2011
Including AVR	10.1	10.1	9.9
Excluding AVR	8.7	9.2	8.8

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. Capital ratio is equal to capital plus surplus plus the asset valuation reserve (AVR) divided by general account assets. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 3.5

Levels of Risk-Based Capital Held by Life Insurers, 2001–2011

	Number of companies										
Risk-based capital ratio	**2001[1]**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
200 percent or more	1,046	1,002	1,051	1,026	997	948	892	830	812	803	794
175–199	37	31	30	18	19	19	23	31	29	20	19
150–174	29	25	24	21	16	22	11	17	20	26	23
125–149	31	30	30	25	15	21	13	19	15	13	11
100–124	14	13	18	13	10	5	5	8	10	10	9
Less than 100 percent	21	25	22	16	14	14	16	36	19	11	10
Total	1,178	1,126	1,175	1,119	1,071	1,029	960	941	905	883	866
Average risk-based capital ratio	346%	325%	357%	390%	409%	411%	406%	382%	418%	450%	457%

	Percentage of companies (percent)										
Risk-based capital ratio	**2001[1]**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
200 percent or more	88.8	89.0	89.4	91.7	93.1	92.1	92.9	88.2	89.7	90.9	91.7
175–199	3.1	2.8	2.6	1.6	1.8	1.8	2.4	3.3	3.2	2.3	2.2
150–174	2.5	2.2	2.0	1.9	1.5	2.1	1.1	1.8	2.2	2.9	2.7
125–149	2.6	2.7	2.6	2.2	1.4	2.0	1.4	2.0	1.7	1.5	1.3
100–124	1.2	1.2	1.5	1.2	0.9	0.5	0.5	0.9	1.1	1.1	1.0
Less than 100 percent	1.8	2.2	1.9	1.4	1.3	1.4	1.7	3.8	2.1	1.2	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

	Distribution of total assets (percent)										
Risk-based capital ratio	**2001[1]**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
200 percent or more	96.5	96.8	98.3	98.4	98.8	99.0	99.4	97.0	98.7	99.0	98.9
175–199	2.2	1.6	0.4	0.1	0.5	0.2	0.2	2.2	0.2	0.2	0.3
150–174	0.4	0.3	0.4	0.5	0.4	0.3	0.0	0.5	0.5	0.6	0.7
125–149	0.8	0.8	0.3	0.9	0.2	0.4	0.4	0.1	0.5	0.1	0.0
100–124	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Less than 100 percent	0.1	0.2	0.3	0.1	0.1	0.0	0.0	0.2	0.1	0.1	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Risk-based capital ratio is total adjusted capital divided by total risk-based capital. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

[1]Data reflect changes due to accounting codification and revisions in the risk-based capital formula.

Table 3.6

Life Insurers Policy Reserves, by Line of Business and Year (millions)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1890	$670	1910	$3,226	1925	$9,927	1940	$27,238
1900	1,443	1915	4,399	1930	16,231	1945	38,667
1905	2,295	1920	6,338	1935	20,404	1950	54,946

Year	Life insurance	Health insurance	Annuities[1] Individual	Annuities[1] Group	Supplementary contracts[2]	Total
1955	$54,588	$575	*	$13,216	$6,980	$75,359
1960	70,791	865	$4,327	14,952	7,538	98,473
1965	90,795	1,432	5,028	22,187	8,178	127,620
1970	115,442	3,474	6,951	34,009	7,903	167,779
1975	150,063	6,293	12,442	59,907	8,411	237,116
1980	197,865	11,015	31,543	140,417	9,499	390,339
1981	206,986	11,931	38,800	160,992	9,322	428,031
1982	213,783	13,181	51,002	191,898	9,496	479,360
1983	220,968	14,956	64,661	221,724	10,132	532,441
1984	225,904	16,552	76,983	254,592	10,162	584,193
1985	235,854	18,805	96,969	303,021	10,653	665,302
1986	252,035	21,294	121,146	355,756	11,693	761,924
1987	276,404	23,994	156,135	392,540	13,060	862,133
1988	299,901	26,852	193,820	433,889	14,501	968,963
1989	324,178	29,855	239,593	473,934	16,118	1,083,678
1990	348,774	33,448	282,129	515,794	16,822	1,196,967
1991	372,082	38,225	328,325	548,191	17,955	1,304,778
1992	402,413	45,159	380,677	559,774	19,068	1,407,091
1993	436,293	51,386	439,390	601,836	20,898	1,549,803
1994	468,469	58,019	482,172	612,394	22,989	1,644,043
1995	511,021	63,233	594,147	618,666	25,258	1,812,325
1996	556,133	69,567	622,012	690,482	27,596	1,965,790
1997	606,260	74,902	693,011	761,951	28,435	2,164,559
1998	655,983	82,020	763,329	845,164	30,952	2,377,449
1999	705,226	91,662	873,519	907,181	32,338	2,609,926
2000	741,603	95,704	880,874	960,128	33,542	2,711,851
2001	815,544	100,706	944,961	571,451	13,309	2,445,972
2002	832,927	110,768	980,065	569,856	13,699	2,507,314
2003‡	921,142	123,451	1,172,623	662,474	15,315	2,895,003
2004‡	987,568	133,641	1,311,552	712,149	15,587	3,160,497
2005‡	1,029,486	140,895	1,415,104	758,484	15,847	3,359,815
2006‡	1,109,868	153,104	1,521,074	806,944	16,753	3,607,743
2007‡	1,148,256	166,148	1,615,276	843,146	17,819	3,790,645
2008‡	1,134,470	186,105	1,421,597	715,587	13,107	3,470,867
2009‡	1,178,290	196,131	1,623,764	797,989	16,077	3,812,251
2010‡	1,223,899	213,896	1,779,931	863,100	16,761	4,097,587
2011‡	1,285,684	229,459	1,840,174	871,126	18,008	4,244,451

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Before 1947, the business of health insurance departments of life insurers was not included in this series. Codification effective with 2001 Annual Statement filings changed the reporting of annuities. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

*Included with group annuities.

‡Includes fraternal benefit societies.

[1]Beginning in 2001, excludes reserves for guaranteed interest contracts (GICs). Figures for GICs are shown in Table 3.3.

[2]Beginning in 2001, includes reserves for supplementary contracts with life contingencies; reserves for supplementary contracts without life contingencies are included in liabilities for deposit-type contracts in Table 3.3.

Table 3.7

Life Insurance Policy Reserves, by Type and Year (millions)

Year	Individual	Group	Credit	Total
1956	$56,875	$787	--	$57,662
1960	69,524	1,267	--	70,791
1965	88,784	2,011	--	90,795
1970	112,349	3,093	--	115,442
1975	144,368	4,995	$700	150,063
1980	187,872	8,818	1,175	197,865
1981	196,407	9,379	1,200	206,986
1982	202,789	9,766	1,228	213,783
1983	209,466	10,148	1,354	220,968
1984	215,309	9,111	1,484	225,904
1985	224,204	9,927	1,723	235,854
1986	239,295	10,770	1,970	252,035
1987	263,515	10,559	2,330	276,404
1988	285,853	11,581	2,467	299,901
1989	309,168	12,569	2,441	324,178
1990	332,808	13,506	2,460	348,774
1991	355,719	13,950	2,413	372,082
1992	381,323	18,684	2,406	402,413
1993	412,542	21,336	2,415	436,293
1994	441,894	23,911	2,664	468,469
1995	480,967	27,342	2,712	511,021
1996	523,901	29,396	2,836	556,133
1997	565,601	37,787	2,872	606,260
1998	608,283	44,515	3,184	655,983
1999	645,499	56,426	3,302	705,226
2000	679,546	58,493	3,564	741,603
2001	720,583	91,563	3,398	815,544
2002	746,383	83,742	2,802	832,927
2003‡	827,892	91,049	2,200	921,142
2004‡	881,817	103,931	1,820	987,568
2005‡	923,429	104,463	1,594	1,029,486
2006‡	988,620	119,841	1,407	1,109,868
2007‡	1,011,179	135,733	1,343	1,148,256
2008‡	999,991	133,291	1,189	1,134,470
2009‡	1,043,493	133,828	969	1,178,290
2010‡	1,083,731	139,360	807	1,223,899
2011‡	1,141,356	143,661	667	1,285,684

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Credit life insurance is limited to insurance on loans of 10 years' or less duration. Prior to 1973, all credit insurance was included in the individual and group categories. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

Table 3.8

Life Insurer Liabilities and Surplus Funds, by Year (millions)

Year	Policy reserves	Liabilities for deposit-type contracts[1]	Funds set aside for policy dividends	Other obligations	Policy and contract claims[2]	Mandatory securities or asset valuation reserves[3]	Interest main-tenance reserve	Capital and surplus funds	Total
1952	$62,579	$1,675	$841	$3,024	--	NA	--	$5,256	$73,375
1955	75,359	2,239	1,201	3,562	--	$1,063	--	7,008	90,432
1960	98,473	3,381	1,780	4,851	--	1,417	--	9,674	119,576
1965	127,620	4,326	2,647	7,295	--	3,160	--	13,836	158,884
1970	167,779	6,068	3,540	10,295	--	2,249	--	17,323	207,254
1975	237,116	8,814	4,875	16,241	--	1,695	--	20,563	289,304
1980	390,339	12,727	7,659	27,701	--	6,426	--	34,358	479,210
1981	428,031	13,261	8,355	33,223	--	5,511	--	37,422	525,803
1982	479,360	13,706	8,914	38,001	--	6,731	--	41,451	588,163
1983	532,441	13,939	10,078	44,022	--	8,084	--	46,384	654,948
1984	584,193	14,395	10,745	55,955	--	7,344	--	50,347	722,979
1985	665,302	14,638	11,710	66,932	--	10,539	--	56,780	825,901
1986	761,924	15,174	11,704	69,270	--	15,330	--	64,149	937,551
1987	862,133	15,837	12,043	71,063	--	16,013	--	67,370	1,044,459
1988	968,963	16,601	12,478	75,939	--	17,939	--	74,950	1,166,870
1989	1,083,678	17,278	13,373	82,306	--	19,438	--	83,683	1,299,756
1990	1,196,967	18,000	13,921	73,164	--	14,783	--	91,373	1,408,208
1991	1,304,778	18,531	13,196	89,804	--	18,854	--	106,038	1,551,201
1992	1,407,091	19,189	13,102	85,212	--	20,801	$3,899	115,237	1,664,531
1993	1,549,803	19,619	13,172	72,525	$20,680	25,063	10,245	128,020	1,839,127
1994	1,644,043	19,702	13,150	74,646	21,993	25,010	6,988	136,741	1,942,273
1995	1,812,325	19,950	13,739	83,923	23,987	29,676	9,000	150,944	2,143,544
1996	1,965,790	20,441	14,863	111,629	25,399	33,202	9,360	147,240	2,327,924
1997	2,164,559	20,456	16,197	141,042	29,181	36,159	11,398	160,086	2,579,078
1998	2,377,449	20,520	16,831	155,266	31,309	37,882	14,567	172,695	2,826,520
1999	2,609,920	20,808	17,356	157,860	31,096	40,089	12,275	181,248	3,070,653
2000	2,711,851	21,149	18,137	162,300	33,161	37,893	8,746	188,499	3,181,736
2001	2,445,972	337,713	18,689	193,263	35,721	30,603	8,507	190,727	3,269,019
2002	2,507,314	363,514	18,489	220,160	35,043	22,851	10,310	202,318	3,380,000
2003‡	2,895,003	410,554	18,825	251,209	37,202	29,187	14,890	231,321	3,888,190
2004‡	3,160,497	445,431	18,416	287,628	37,880	35,125	17,764	249,644	4,252,386
2005‡	3,359,815	456,325	18,810	300,912	36,719	37,832	17,011	254,572	4,481,995
2006‡	3,607,743	487,490	19,494	345,648	39,361	43,389	13,827	265,872	4,822,824
2007‡	3,790,645	516,905	20,134	383,090	41,120	45,913	11,948	281,831	5,091,586
2008‡	3,470,867	453,860	18,582	368,303	42,493	21,243	9,521	263,278	4,648,147
2009‡	3,812,251	416,478	17,591	337,219	42,358	20,667	10,908	301,221	4,958,693
2010‡	4,097,587	420,494	17,356	367,469	42,106	31,340	16,133	318,720	5,311,204
2011‡	4,244,451	413,044	17,328	392,148	43,607	39,725	21,230	321,126	5,492,658

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of annuities and deposit-type funds, as explained in footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available.

‡Includes fraternal benefit societies.

[1]Prior to 2001, represents policyholder dividend accumulations. Beginning in 2001, includes liabilities for guaranteed interest contracts, supplementary contracts without life contingencies, policyholder dividend accumulations, and premium and other deposits.

[2]Prior to 1993, included with other obligations.

[3]Beginning in 1992, asset valuation reserve replaced mandatory securities valuation reserve.

Table 3.9

Capital Ratios of Life Insurers, by Year (percent)

Year	Including MSVR/AVR	Excluding MSVR/AVR	Year	Including MSVR/AVR	Excluding MSVR/AVR
1970	9.7	8.6	1999	11.1	9.1
1975	8.1	7.4	2000	11.1	9.2
1980	9.2	7.7	2001	10.1	8.7
1985	9.1	7.7	2002	9.3	8.4
1990	8.5	7.3	2003‡	9.6	8.5
1991	9.3	7.9	2004‡	9.8	8.6
1992	9.6	8.1	2005‡	9.7	8.5
1993	10.0	8.4	2006‡	10.0	8.6
1994	10.2	8.6	2007‡	10.3	8.9
1995	10.7	9.0	2008‡	8.7	8.1
1996	11.9	10.0	2009‡	9.7	9.1
1997	10.6	8.7	2010‡	10.1	9.2
1998	11.0	9.0	2011‡	9.9	8.8

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. Capital ratio is equal to capital plus surplus plus the asset valuation reserve (AVR), or mandatory securities valuation reserve (MSVR) prior to 1992, divided by general account assets. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

4 INCOME

The gross income of life insurance companies comes from two main sources: premiums paid by policyholders and earnings on investments. In 2011, total income of all U.S. life insurers increased 6.1 percent to $915 billion (Table 4.1). Insurance premiums and annuity considerations contributed 69 percent of total income. Investment earnings contributed 24 percent. The remainder of gross income came from amortization of interest maintenance reserve, commissions and expense allowance on reinsurance ceded, and miscellaneous income.

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

PREMIUM INCOME

Premium receipts—derived from sales of life insurance, health insurance, and annuities—increased 11 percent to $634 billion in 2011 (Table 4.2).

The mix of premiums from life insurance and annuity considerations has changed markedly over time. Prior to 1986, premium receipts from life policies were greater than annuity considerations, but starting in 1986, annuity premiums have exceeded life insurance premiums (Table 4.10). By 2011, life policies accounted for one-fifth of premium receipts (20%), while annuity considerations contributed more than half (53%) (Figure 4.1).

Premiums for life insurance policies totaled $127 billion in 2011, a 22 percent increase from the previous year (Table 4.2). Individual policy premiums accounted for the largest share at $101 billion, or 79 percent. Most were renewals, representing $63 billion, or 62 percent, of individual premiums (Table 4.3). Group insurance was the second-largest contributor to life insurance premiums at $26 billion, or 20 percent of the total. Again, renewals constituted the largest portion at $23 billion, or 88 percent, of all group premiums. Credit life provided $873 million of all life insurance premiums (Table 4.2). Americans spent 0.9 percent of total disposable (after-tax) personal income on individual life insurance in 2011 (Table 4.5).

Annuity considerations increased 14 percent in 2011 to $335 billion (Table 4.2). Individual annuities provided $218 billion in premium receipts, increasing 15 percent from 2010. Of individual annuity considerations, first-year annuity considerations constitute the largest share of this category at $120 billion, while group considerations counted renewals as the largest contributor with $66 billion (Table 4.4). Individual annuity considerations amounted to 1.95 percent of disposable personal income in 2011 (Table 4.5).

Premiums for accident and health insurance decreased 0.6 percent to $172 billion in 2011 (Table 4.1) with group premiums being the largest portion at $90 billion, down 0.6 percent from 2010 (Table 4.2). Individual accident and health premiums decreased to $81 billion, with the largest share at $37 billion coming from guaranteed renewable contracts (Table 4.6).

INVESTMENT INCOME AND RATE OF RETURN

Net investment income of life insurance companies amounted to $210 billion in 2011 (Table 4.7). The largest source of investment income was from bonds at $147 billion, followed by common stock ($30 billion) and mortgage loans ($20 billion). Gross investment income increased 4 percent from 2010. Investment expenses, taxes, and deductions totaling $11 billion were up 3 percent from the previous year.

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

In 2011, life insurers' net rate of return on total assets was 4.35 percent, up slightly from a year earlier (Table 4.8). This net rate is an annual average based on aggregates of all U.S. life insurance companies after investment expenses, but before federal income taxes. Excluding separate accounts, the portfolio net rate of return on general account assets was 5.29 percent in 2011, down from 5.37 percent in 2010.

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

Gross rate data apply to fixed-income assets of both general and separate accounts. The industry's gross rate on total fixed-income assets was 5.73 percent in 2011 up very slightly from 2010.

NET GAIN FROM OPERATIONS

Statutory accounting calculates net gain from (insurance) operations as gross income minus operating expenses, policyholder dividends, and federal income taxes (not including tax on capital gains, since capital gains are not included in gain from operations). Net gain from operations after federal income taxes decreased 41 percent in 2011 to $28 billion (Table 4.9). Net gains can be calculated separately for each major line of business. Net gains from annuities were $7 billion compared with $21 billion in net gains a year ago. The net gain from life insurance decreased 39 percent to $6 billion.

Table 4.1

Income of Life Insurers

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Net premiums and considerations					
Life insurance premiums	$125,314	$104,648	$127,455	0.2	21.8
Annuity considerations[1]	251,255	293,622	334,895	2.9	14.1
Health insurance premiums	103,413	172,717	171,647	5.2	-0.6
Total	479,982	570,987	633,997	2.8	11.0
Investment income	203,399	212,841	221,007	0.8	3.8
Other income[2]	41,068	78,741	60,332	3.9	-23.4
Aggregate total	724,449	862,570	915,336	2.4	6.1

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

[2]Includes commissions and expense allowance on reinsurance ceded. For 2005-2011, includes amortization of interest maintenance reserve.

Table 4.2

Premium Receipts of Life Insurers

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Life insurance premiums					
Individual	$95,426	$79,621	$100,763	0.5	26.6
Group	28,254	24,191	25,819	-0.9	6.7
Credit	1,634	836	873	-6.1	4.4
Total	125,314	104,648	127,455	0.2	21.8
Annuity considerations[1]					
Individual	141,656	189,946	217,837	4.4	14.7
Group	109,599	103,677	117,058	0.7	12.9
Total	251,255	293,622	334,895	2.9	14.1
Health insurance premiums					
Individual	28,213	81,246	80,785	11.1	-0.6
Group	73,654	90,741	90,152	2.0	-0.6
Credit	1,546	730	710	-7.5	-2.7
Total	103,413	172,717	171,647	5.2	-0.6
Aggregate total	479,982	570,987	633,997	2.8	11.0

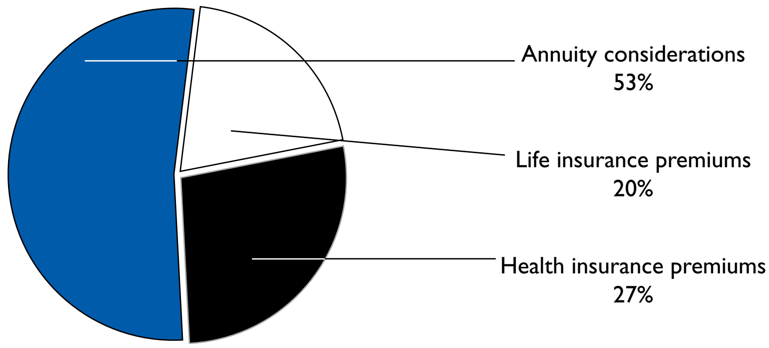
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

Figure 4.1

Distribution of Life Insurers' Net Premium Receipts, 2011



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 4.3

Individual and Group Life Insurance Net Premium Receipts, 2011 (millions)

	Individual	Percent distribution	Group	Percent distribution	Total	Percent distribution
First-year	$18,150	18.0	$1,605	6.2	$19,754	15.6
Single[1]	19,740	19.6	1,531	5.9	21,271	16.8
Renewal	62,874	62.4	22,683	87.9	85,557	67.6
Aggregate total	100,763	100.0	25,819	100.0	126,582	100.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and fraternal benefit societies.
[1]Includes dividend additions, excess premiums beyond planned periodic premiums, and single-premium riders.

Table 4.4

Individual and Group Annuity Considerations, 2011 (millions)

	Individual[1]	Percent distribution	Group[1]	Percent distribution	Total	Percent distribution
First-year	$120,303	55.2	$24,687	21.1	$144,990	43.3
Single[2]	60,168	27.6	26,527	22.7	86,695	25.9
Renewal	37,366	17.2	65,844	56.2	103,210	30.8
Total	217,837	100.0	117,058	100.0	334,895	100.0

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective in 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and fraternal benefit societies.

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

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

Table 4.5

Individual Life Premiums and Annuity Considerations as Percentage of Disposable Personal Income

	Percent		
	2001	**2010**	**2011**
Individual			
Life premiums	1.25	0.71	0.90
Annuity considerations[1]	1.85	1.70	1.95
Total	3.10	2.41	2.85

Sources: U.S. Department of Commerce; ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies. U.S. Department of Commerce data from past years may be revised.

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

Table 4.6

Accident and Health Insurance Net Premium Receipts

	Millions			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Group	$73,654	$90,741	$90,152	2.0	-0.6
Credit	1,546	730	710	-7.5	-2.7
Individual					
Collectively renewable	382	30	27	-23.4	-11.0
Noncancelable	3,611	7,631	7,705	7.9	1.0
Guaranteed renewable	19,588	34,248	36,694	6.5	7.1
Nonrenewable	1,336	6,708	5,529	15.3	-17.6
Other accident	851	12,900	12,648	31.0	-2.0
All other	2,445	19,730	18,182	22.2	-7.8
Total	28,213	81,246	80,785	11.1	-0.6
Aggregate total	103,413	172,717	171,647	5.2	-0.6

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Premium receipts are net of reinsurance. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 4.7

Net Investment Income

	Millions			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Gross investment income					
Bonds	$115,728	$146,062	$147,105	2.4	0.7
Preferred stock	1,600	573	554	-10.1	-3.3
Common stock	44,753	25,013	29,895	-4.0	19.5
Mortgage loans	18,909	20,024	20,006	0.6	-0.1
Real estate	5,842	3,918	3,908	-3.9	-0.3
Contract loans	7,559	8,041	8,028	0.6	-0.2
Cash/Short-term investments	4,273	528	352	-22.1	-33.3
Other invested assets	3,986	7,505	9,389	8.9	25.1
Derivative instruments	-1,046	848	1,582	NC	86.6
Other write-ins	1,796	330	188	-20.2	-43.2
Total	203,400	212,841	221,007	0.8	3.8
Expenses, taxes, and deductions	10,841	10,701	11,050	0.2	3.3
Net investment income	209,238	202,140	209,956	0.0	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. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.
NC: Not calculated.

Table 4.8

Rates of Return on Invested Assets of Life Insurers

	Percent		
	2001	**2010**	**2011**
Net rate			
Total assets	6.31	4.33	4.35
General account only	7.13	5.37	5.29
Gross rate			
Total fixed-income assets	7.62	5.68	5.73

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 4.9

Net Gain From Operations After Federal Income Taxes

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Life insurance					
Individual	$8,482	$7,525	$4,378	-6.4	-41.8
Group	1,229	2,077	1,382	1.2	-33.5
Credit	565	151	171	-11.3	12.9
Total	10,276	9,753	5,930	-5.3	-39.2
Annuities[1]					
Individual	1,722	16,657	1,401	NC	-91.6
Group	2,113	4,059	5,406	9.8	33.2
Total	3,835	20,716	6,807	NC	-67.1
Accident and health					
Individual	1,267	5,155	4,858	14.4	-5.7
Group	878	5,687	4,732	NC	-16.8
Credit	290	136	132	-7.6	-3.3
Total	2,435	10,978	9,722	14.8	-11.4
Other[2]	3,216	5,513	5,124	4.8	-7.1
Aggregate total	19,762	46,960	27,583	3.4	-41.3

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Net gain is calculated after dividends to policyholders and federal income taxes are deducted and before realized capital gains or (losses) are added. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

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

NC: Not calculated.

Table 4.10

Income of Life Insurers, by Year (millions)

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in footnotes. Prior to 1947, the business of health insurance departments of life insurers was not included in this series. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

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

‡Includes fraternal benefit societies.

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

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

Table 4.11

Individual Life Insurance Premium Receipts, by Year (millions)

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. 1969-72 data include credit life insurance premiums. Beginning with 1973, credit life premiums on loans of 10 years' or less in duration are excluded. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

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

Table 4.12

Individual Annuity Considerations, by Year (millions)

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available.

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

‡Includes fraternal benefit societies.

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

Table 4.13

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

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Before 1940, some federal income taxes were deducted from net investment income; beginning with 1940, rates are calculated before deducting any federal income taxes. Beginning in 1994, rates include amortization of the interest maintenance reserve. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡ Includes fraternal benefit societies.

NA: Not available.

5 EXPENDITURES

Life insurance company expenditures include benefit payments and other contract payments, operating expenses, taxes, additions to reserves, and investment expenses. Contract payments accounted for 61 percent of expenditures at $525 billion in 2011 (Table 5.1, Figure 5.1). Additions to reserves were $202 billion for the second-largest category at 23 percent.

Operating expenses comprised 13 percent of 2011 total expenditures, taxes claimed 2 percent and investment expenses claimed 1 percent. Each expenditure category is detailed in this chapter, with the exception of reserves, which are discussed in Chapter 3.

CONTRACT PAYMENTS

From Life Insurance Policies

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

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

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

To Beneficiaries

During 2011, life insurers paid $62 billion to beneficiaries of policyholders who died, a 6% increase from 2010 (Table 5.2). Of this total, individual life insurance policies accounted for two-thirds and provided $42 billion (67%). Group life insurance payments to beneficiaries ranked second at $20 billion, or 32 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 $431 million in 2011.

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 2011 declined by 7 percent to $34 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 $13 billion, or 12 percent of payments from life insurance policies in 2011.

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 $577 million in 2011.

Other payments, including disability payments and retained assets under life insurance policies, totaled $553 million in 2011.

From Annuity Contracts

Annuity benefit payments increased by 6 percent to $75 billion in 2011 from 2010 (Table 5.3). Beginning in 2001, payments and withdrawals from deposit-type contracts are no longer reported as expenditures but directly as a deduction from reserves.

Sixty-four percent of the annuity benefit payments, or $47 billion, was paid to individual annuity owners, while $25 billion, or 34 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 $206 billion on voluntarily terminated annuities in 2011, $3 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 $121 billion in health insurance benefits to Americans in 2011—$67 billion under group contracts and $53 billion under individual policies (Table 5.4). Life insurers' total health insurance benefit payments to Americans decreased slightly from 2010.

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

OPERATING EXPENSES

Operating expenses of life insurance companies include commissions to agents and home- and field-office expenses. In 2011, agent commissions comprised 6 percent of expenditures at $53 billion (Table 5.1). Home- and field-office expenses were $60 billion, or 7 percent of total expenditures.

Of total office expenses, $36 billion, or 59 percent, was in salaries and payments to employee and agent benefit plans (Table 5.5). In 2011, life insurers also spent $7 billion on office equipment and supplies, $3 billion on office rent, $3 billion on fees associated with policy issuance and claim settlement, $3 billion on advertising, and $1 billion on travel.

TAXES

Life insurance companies incurred $16 billion in taxes to federal, state, and local governments in 2011, 7 percent less than in 2010 (Table 5.6). Over 50 percent of these taxes were income taxes at $8 billion. Significant year-to-year variation in federal income taxes is largely due to changes in capital gain/loss obligations.

Another large tax obligation of life insurers' is payment of taxes on premiums that companies collect in each state. In 2011, U.S. life insurers incurred $4 billion in state taxes on premiums collected from life, health, and annuity business.

As employers of over one-third of a million home-office personnel, U.S. life insurers also incurred $2 billion in Social Security taxes in 2011. This figure does not include Social Security taxes paid by employees or self-employed agents.

Miscellaneous taxes, licenses, and fees accounted for close to $2 billion in 2011. These taxes do not include amounts associated with investment management.

INVESTMENT EXPENSES

Expenses, fees, and taxes associated with investment management totaled $11 billion in 2011 (Table 5.7). Interest is the largest category at about $2.3 billion followed by salaries and welfare expenses at $1.9 billion.

Table 5.1

Expenditures of Life Insurers

	Millions			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Contract payments					
Life insurance	$93,363	$108,678	$109,354	1.6	0.6
Annuities[1]	211,504	256,922	283,803	3.0	10.5
Health insurance	77,172	122,516	120,650	4.6	-1.5
Other payments[2]	13,486	9,011	11,000	-2.0	22.1
Total	395,525	497,126	524,806	2.9	5.6
Additions to policy reserve funds[3]	152,794	149,799	201,740	2.8	34.7
Operating expenses					
Commissions to agents	43,457	49,945	52,506	1.9	5.1
Home- and field-office expenses	44,946	58,345	60,021	2.9	2.9
Total	88,402	108,290	112,527	2.4	3.9
Taxes[4]	11,584	17,411	16,231	3.4	-6.8
Investment expenses[5]	10,841	10,701	11,050	0.2	3.3
Aggregate total	659,148	783,327	866,354	2.8	10.6

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

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

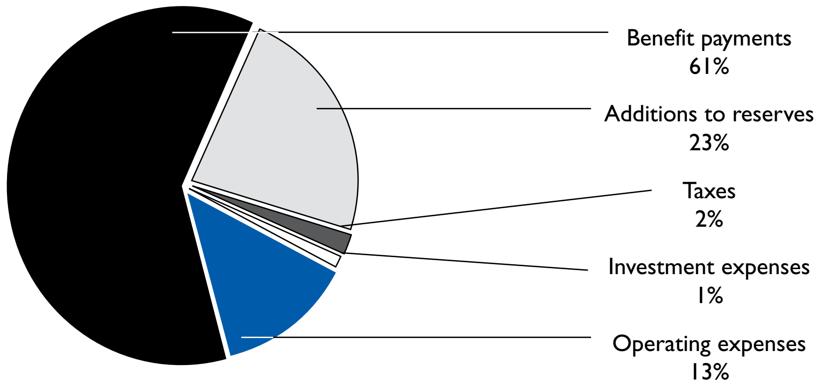
[3]Beginning in 2001, excludes addition to reserves for deposit-type contracts.

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

[5]Includes investment-related taxes and fees.

Figure 5.1

Distribution of Life Insurers' Expenditures, 2011



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 5.2

Payments From Life Insurance Policies

	Millions			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Payments to beneficiaries					
Individual	$28,346	$39,045	$41,869	4.0	7.2
Group	17,393	18,890	19,832	1.3	5.0
Credit	773	458	431	-5.7	-5.8
Total	46,512	58,392	62,132	2.9	6.4
Surrender values					
Individual	29,148	33,598	32,107	1.0	-4.4
Group	1,505	2,245	1,405	-0.7	-37.4
Total	30,653	35,843	33,511	0.9	-6.5
Policyholder dividends	15,038	13,337	12,581	-1.8	-5.7
Matured endowments	520	536	577	1.0	7.6
Other payments[1]	640	571	553	-1.5	-3.1
Aggregate total	93,363	108,678	109,354	1.6	0.6

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.
[1]Includes disability benefits and retained assets.

Table 5.3

Payments From Annuity Contracts

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Annuity benefits[1]					
Individual[1]	$28,873	$43,251	$47,342	5.1	9.5
Group[1]	24,565	25,003	25,196	0.3	0.8
Supplementary contracts with life contingencies[2]	1,759	1,835	1,980	1.2	7.9
Total	55,197	70,090	74,518	3.0	6.3
Surrenders and withdrawals[3]					
Individual	72,995	101,892	116,620	4.8	14.5
Group	78,319	82,179	89,546	1.3	9.0
Total	151,315	184,071	206,166	3.1	12.0
Policyholder dividends	4,956	2,606	2,966	-5.0	13.8
Matured endowments	29	26	30	0.1	12.4
Other payments[4]	7	129	123	32.7	-4.7
Aggregate total	211,504	256,922	283,803	3.0	10.5

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

[2]Change in 2008 was due to one company's change in reporting.

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

[4]Includes death benefits, disability benefits, and retained assets.

Table 5.4

Payments From Health Insurance Policies

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Group	$58,211	$68,441	$67,032	1.4	-2.1
Individual	18,093	53,634	53,204	11.4	-0.8
Credit	868	441	414	-7.1	-6.2
Total	77,172	122,516	120,650	4.6	-1.5

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

Table 5.5

Life Insurer Home- and Field-Office Expenses

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Rental	$2,811	$2,653	$2,529	-1.1	-4.7
Employment					
Salaries	22,615	29,500	28,847	2.5	-2.2
Welfare contributions and payments	3,455	7,380	6,802	7.0	-7.8
Total	26,070	36,880	35,649	3.2	-3.3
Fees associated with policy issuance/claim settlement	2,793	3,396	2,912	0.4	-14.3
Travel	1,091	1,156	1,219	1.1	5.5
Advertising	1,861	2,901	2,875	4.4	-0.9
Office equipment/supplies	7,059	6,953	6,980	-0.1	0.4
Miscellaneous	3,261	4,407	7,858	9.2	78.3
Aggregate total	44,946	58,345	60,021	2.9	2.9

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, as of 2003, fraternal benefit societies.

Table 5.6

Taxes, Licenses, and Fees

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Income taxes[1]	$5,263	$9,631	$8,170	4.5	-15.2
Social Security taxes	1,601	1,951	1,848	1.4	-5.3
State taxes on premiums	3,531	4,153	4,312	2.0	3.8
Real estate taxes	17	24	27	4.5	13.6
Miscellaneous taxes, licenses, and fees	1,172	1,652	1,874	4.8	13.4
Total	11,584	17,411	16,231	3.4	-6.8

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. Figures exclude investment taxes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.
[1]Includes foreign and U.S. federal income taxes, including taxes on capital gains; excludes non-income, state, and investment taxes.

Table 5.7

Investment Expenses of Life Insurers

	Millions			Average annual percent change	
	2001	2010	2011	2001/2011	2010/2011
Rental	$192	$200	$197	0.2	-1.4
Employment					
Salaries	1,318	1,641	1,706	2.6	4.0
Welfare contributions/payments	186	271	277	4.1	2.3
Total	1,504	1,912	1,984	2.8	3.7
Real estate expenses	2,030	1,453	1,471	-3.2	1.2
Interest	1,745	2,342	2,320	2.9	-0.9
Depreciation on invested assets	1,037	755	763	-3.0	1.1
Investment taxes and fees[1]					
Real estate	664	494	478	-3.2	-3.1
Other	103	95	95	-0.8	0.9
Total	767	588	574	-2.9	-2.5
Other	3,566	3,451	3,742	0.5	8.4
Aggregate total	10,841	10,701	11,050	0.2	3.3

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

[1]Excludes federal income taxes and taxes on capital gains.

Table 5.8

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

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available.

‡Includes fraternal benefit societies.

[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 5.9

Payments to Life Insurance Beneficiaries, by Year

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

*Corrected to include industrial policies.

‡Includes fraternal benefit societies.

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

Table 5.10

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

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

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Figures exclude policy dividends. 1994-96 data have been revised to reflect the addition of life insurers that sell accident and health insurance. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

‡Includes fraternal benefit societies.

6 REINSURANCE

When a primary insurance company transfers or cedes some insurance risk to another company that accepts or assumes the risk, reinsurance results. For life insurers, the risk transferred may be mortality, surrender, investment risk, or a combination of the three.

Reinsurance has made greater face amounts of life insurance coverage possible. An applicant who is an unusual risk—or who needs a life insurance policy with a face amount larger than a company's retention limit (the amount one company can judiciously retain by itself)—may still be able to obtain the policy if part of the risk is transferred to a reinsurer. A ceding company frequently wants to limit its mortality risk on an insured, and sometimes to limit such risk on a group of policies to avoid fluctuations in claim levels, or to lower the risk of claims involving multiple deaths from single events.

Reinsurance also can reduce the risk facing a company when policies with a high probability of lapse or surrender are issued, as in policies whose premiums rise sharply from one year to the next. Similarly, reinsurance may limit the investment risk inherent in high asset concentrations from single products, such as annuities.

In 2011, 88 percent of life insurers with life premiums ceded at least some of those premiums as reinsurance. Among insurers with accident and health premiums, 83 percent ceded accident and health premiums as reinsurance. In contrast, only 43 percent of insurers doing annuity business in 2011 ceded annuity considerations, excluding deposit-type funds.

ALLOCATING RISK

Reinsurance spreads the risk of loss between two companies. The risk can be spread even further if the ceding company uses more than one reinsurer, or the reinsurer in turn transfers some of that risk to another reinsurer, or retrocessionaire.

In the most basic reinsurance arrangement, a single primary insurer cedes business to a single reinsurer, usually an independent firm operating in the open marketplace. The reinsurer also can be an affiliate of the ceding company, when both companies are owned by a parent company. This captive reinsurer reinsures risks exclusively from an affiliated company or group of companies.

Reinsurance is frequently arranged between a primary ceding company and a group of reinsurers. Methods for allocating risk to a group include:

- *Quota share* Each reinsurer receives a specified percentage of each risk ceded to the group.
- *Layering* Risk is ceded in layers of insurance amounts: One reinsurer receives all reinsurance up to the limit of the first layer, a second reinsurer receives all reinsurance beyond the first layer up to the limit of the second layer, and so on.
- *Alphabet split* Risk is ceded among several reinsurers alphabetically based on the insureds' surnames: Those whose last names begin with A–F go to the first reinsurer, and so on, until all reinsurance is allocated. This arrangement is sometimes used for automatic insurance.

Once risk is ceded from a primary insurer, the reinsurer in turn may need to cede at least some of that risk, particularly if it is unusually large or exceeds the reinsurer's own retention limit. Transferring risk from one reinsurer to another, or retroceding, may involve similar arrangements: A reinsurer may retrocede risk to a group of reinsurers, or retrocessionaires, each of which may in turn retrocede some of that risk to another group of retrocessionaires.

Total premiums from reinsurance assumed in 2011 were $84 billion, an increase of 23 percent from 2010 (Table 6.1). The average annual growth of premiums from reinsurance assumed between 2001 and 2011 was 3 percent. Data for all three markets include retrocessions.

MANAGING RISK

The need to transfer mortality, surrender, or investment risk is the main reason for ceding companies to engage in reinsurance. In traditional reinsurance, the company transferring the risk retains its financial relationship with, and legal obligation to, the policyholder—to the point that policyholders may not even be aware that part of the risk on their policies is covered by an assuming company, or reinsurer. This type of reinsurance is sometimes called indemnity reinsurance, because one company indemnifies another for losses incurred.

Another type of reinsurance involves the total and permanent transfer of risk from one company to another. In assumption reinsurance, the reinsurer replaces the ceding company in transactions on sections of business, issuing new policyholder certificates. In effect, one company purchases a section of business from another company and becomes directly and legally responsible to the policyholder, while the original company terminates its future obligations.

References to reinsurance in this chapter signify only indemnity reinsurance.

Underwriting Strength

A closely related motivation for reinsurance is obtaining the reinsurer's underwriting assistance and proficiency.

Reinsurers review and maintain policy and claim records on a large volume of risks from many ceding companies whose policyholders are diverse and geographically distributed. The risk pool from which they develop and provide underwriting knowledge is larger and wider than is normally available to a single primary insurer. Underwriting is further strengthened when risk is spread to more than one reinsurer or retrocessionaire, because of the exposure to an even broader range of policies and claims. Confidence that underwriters are competently and professionally meeting its underwriting needs allows a ceding company to concentrate on other activities to expand its business.

Product Flexibility

Another reason to reinsure is the opportunity it gives a ceding company to exit from some product lines and enter others. If a company's name is commonly associated with a particular product line that it wishes to discontinue, the company can reinsure most or all of the risk on the product.

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

Financial Positioning

Reinsurance also enables a ceding company to manage its financial position. A reinsurer can provide allowances based on its anticipation of future profits, which increases the ceding company's statutory earnings and surplus during the year paid.

If the reinsurer establishes a proportionate share of reserves on its books for policies reinsured, the ceding company is not limited to using that surplus to set up legally required reserves—an option especially valuable when issuing new policies, in which initial costs (expenses plus reserves) are higher than premiums received. Similarly, a company can improve its risk-based capital ratio by reinsuring part of its risk.

Companies further consider tax advantages when contemplating reinsurance arrangements. When the ceding company's primary goal is managing and improving its financial position, the risk transfers are known as financial reinsurance.

The face amount of life reinsurance assumed increased by 36 percent to $2.6 trillion in 2011 (Table 6.2). Individual life reinsurance assumed increased by 99 percent and group reinsurance assumed decreased by 69 percent. The number of life policies assumed increased by 70 percent in 2011.

TYPES OF REINSURANCE

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

Proportional Reinsurance

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

Proportional plans, commonly used in life insurance, encompass four categories:

- *Yearly renewable term (YRT) reinsurance* The mortality risk, but not the permanent plan reserves, is transferred to the reinsurer for a premium that varies each year with the amount at risk and ages of the insured. While YRT reinsurance allows a ceding company to transfer mortality risk, it leaves the company responsible for establishing reserves.

- *Coinsurance* The ceding company transfers a proportionate share of all the policy risks and cash flows except the policy fee. The reinsurer receives its share of premiums, pays its share of benefits, sets up its share of reserves, and pays an allowance to the ceding company. Unlike YRT reinsurance, coinsurance relieves strain on the ceding company's surplus.

- *Coinsurance with funds withheld* The ceding company keeps the premiums normally paid to a reinsurer, while the reinsurer keeps the allowances normally paid to the ceding company. This arrangement limits cash flow between the two companies, reinforcing the stability of their cash accounts.

- *Modified coinsurance* The reinsurer transfers its share of reserves back to the ceding company while the risk remains with the reinsurer. The ceding company, however, must pay interest to replace what the reinsurer would have earned had it retained its share of the reserve.

Both coinsurance with funds withheld and modified coinsurance enable a ceding company to take statutory credit in certain circumstances, reduce credit risk, secure credit, and retain control over investments.

Nonproportional reinsurance

Nonproportional plans, commonly used in health insurance, include four types:

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

Table 6.1

Reinsurance Assumed and Ceded—Premiums

	Millions			Average annual percentage change	
	2001	2010	2011	2001/2011	2010/2011
PREMIUMS FROM ASSUMED BUSINESS					
Life insurance					
Individual	$19,262	$35,171	$46,711	9.3	32.8
Group	3,629	4,833	3,887	0.7	-19.6
Credit	677	182	243	-9.7	33.8
Total	23,568	40,185	50,841	8.0	26.5
Annuity considerations[1]					
Individual	14,015	3,806	10,554	-2.8	177.3
Group	6,756	2,596	2,537	-9.3	-2.3
Total	20,770	6,402	13,091	-4.5	104.5
Accident and health insurance					
Individual	4,332	6,606	5,524	2.5	-16.4
Group	12,401	14,685	14,188	1.4	-3.4
Credit	757	279	232	-11.2	-16.9
Total	17,491	21,570	19,944	1.3	-7.5
Aggregate total	61,828	68,157	83,876	3.1	23.1
PREMIUMS PAID ON CEDED BUSINESS					
Life insurance					
Individual	$31,144	$85,160	$81,117	10.0	-4.7
Group	4,538	11,097	9,566	7.7	-13.8
Credit	1,328	600	595	-7.7	-0.9
Total	37,010	96,857	91,279	9.4	-5.8
Annuity considerations[1]					
Individual	15,183	11,011	13,068	-1.5	18.7
Group	6,472	8,492	7,932	2.1	-6.6
Total	21,656	19,503	21,001	-0.3	7.7
Accident and health insurance					
Individual	8,930	9,917	9,368	0.5	-5.5
Group	13,507	15,301	16,466	2.0	7.6
Credit	1,411	496	451	-10.8	-9.1
Total	23,848	25,714	26,285	1.0	2.2
Aggregate total	82,514	142,074	138,564	5.3	-2.5

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

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

Table 6.2

Life Reinsurance Assumed (face amount)

	Millions			Average annual percentage change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
Face amount (millions)					
Individual	$1,723,856	$1,198,790	$2,390,588	3.3	99.4
Credit	21,653	2,118	3,833	-15.9	81.0
Group	151,964	728,785	224,317	4.0	-69.2
Total	1,897,473	1,929,692	2,618,738	3.3	35.7
Policies (units)					
Individual	45,354,487	12,386,140	26,045,804	-5.4	110.3
Credit	4,125,931	473,546	941,169	-13.7	98.7
Group	6,412,825	5,486,048	4,134,575	-4.3	-24.6
Total	55,893,243	18,345,734	31,121,548	-5.7	69.6

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

7 LIFE INSURANCE

People buy life insurance to protect their dependents against financial hardship when the insured person, the policyholder, dies. Many life insurance products also allow policyholders to accumulate savings that can be used in a time of financial need. Most American families depend on life insurance to provide this economic protection: Seventy percent owned some type of life insurance, according to LIMRA International.

Americans purchased $2.9 trillion of new life insurance coverage in 2011, a .5 percent increase over 2010. By the end of 2011, total life insurance coverage in the United States was $19.2 trillion, an increase of 4 percent from 2010 (Table 7.1).

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

INDIVIDUAL LIFE INSURANCE

Individual life is the most widely used form of life insurance protection, accounting for 57 percent of all life insurance in force in the United States at year-end 2011 (Table 7.1). Typically purchased through life insurance agents, this insurance is issued under individual policies with face amounts as low as $1,000, although larger minimum amounts are more typical in today's market. While individual life is principally used for family protection, it also is widely used for business purposes. A business may purchase life insurance to protect against the economic loss that would result from the death of the owner or a key employee.

Individual life insurance protection in the United States totaled $11 trillion at the end of 2011 and has grown at an average annual rate of 1.6 percent since 2001, when $9.3 trillion was in force (Table 7.1).

The average size of new individual life policies purchased has decreased since 2008 to $162,000 in 2011 (Figure 7.2). The number of individual policies purchased also grew 2 percent in 2011 (Table 7.1).

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

Types of Policies

Term Insurance

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

Of new individual life policies purchased in 2011, 37 percent, or 3.7 million, were term insurance, totaling $1.1 trillion, or 67 percent, of the individual life face amount issued (Table 7.2). The most popular form of term insurance is level term, which offers a fixed premium.

Permanent Insurance

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

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

In 2011, direct purchases of permanent life constituted 63 percent of U.S. individual life insurance policies issued and 33 percent of the total face amount issued (Table 7.2).

Participating and Nonparticipating Insurance

Traditional whole life and term insurance policies can be purchased on a participating or nonparticipating basis. A participating policy allows the policyholder to share in the insurance company's surplus. With this type of life insurance, a policyholder receives annual dividends representing that portion of the premium not needed by the company for death payments to beneficiaries, additions to reserves, or administrative expenses. Nearly three-fourths of individual life policies' face amount purchased were nonparticipating at $1.24 trillion (74%) in 2011 (Table 7.3).

Characteristics of Individual Policies

Lapses and Surrenders

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

The voluntary termination rate of individual life insurance policies has reached 6.1 percent by 2011 (Table 7.4). Of the individual life policies that have been voluntarily terminated, 20% were surrendered.

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

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

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

Disability Provisions

Besides the benefit payable upon death of the insured, many life insurance policies or policy riders provide disability benefits to cover financial losses that result from a sickness or injury. The most common supplementary benefit is waiver of premium. Of individual life policies in force in 2011, 90 percent, or 36 million, allowed the premium to be waived during disability, representing $3.7 trillion, or 98 percent, of the individual life face amount in force with disability provisions (Table 7.6).

GROUP LIFE INSURANCE

Group life insurance is a contract between an insurance company and some group to insure all of the group's members, usually under term coverage. Common examples are employer-provided life insurance and insurance offered through unions and professional associations. Employees or other group members receive certificates denoting their participation in the group coverage. In 2011, group insurance represented 39 percent of all life insurance policies in force.

Group purchases increased 2 percent in 2011 to $1.2 trillion. At the end of 2011, group life insurance provided $8.1 trillion of protection, 4 percent more than a year earlier (Table 7.1).

Group insurance contracts can provide benefits beyond term insurance. Employees often can retain coverage after retirement by paying premiums directly to the insurer. Many policies also offer survivor benefits, usually continuing monthly payments to the spouse of an employee who dies before retirement; payments may extend for life or to the age at which Social Security retirement payments become available, but cease on remarriage. Contingent benefits to dependent children in the event of a spouse's death are available as well. The initial value of these survivor benefits can range from three to 10 times an employee's annual salary.

As with individual life policies, group policies can be purchased on either a participating or nonparticipating basis. Most group life policies are nonparticipating—95 percent of those purchased in 2011, at $1.1 trillion (Table 7.3).

The voluntary termination rate of group life insurance policies decreased to 4.9 percent from 5.8 percent a year earlier. The voluntary lapses in 2011 dropped to 4.6 percent from 5.6 percent in 2010 (Table 7.4).

Group policies also provide disability benefits. Of group life policies in force in 2011, 92 percent, or 47 million, provided for waiver of premium, representing $4.1 trillion, or 92 percent, of the group life face amount in force with disability provisions (Table 7.6).

CREDIT LIFE INSURANCE

Credit life insurance pays the balance on loans of 10 years' or less duration if the borrower dies before repaying the amount due. At year-end 2011, $106 billion of credit life insurance was in force, down 6 percent from the previous year (Table 7.1).

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

As with other life policies, credit policies can be purchased on either a participating or nonparticipating basis. Of credit life policies purchased in 2011, 83 percent, or $48 billion, were nonparticipating (Table 7.3).

POLICY CLAIMS RESISTED OR COMPROMISED

From time to time, life insurers find it necessary to delay or deny payment of claims due to material misrepresentation, suicide within the contestable period, or no proof of death, among other reasons. In 2011, $307 million in new claims along with $1 billion in other claims were in dispute. Of this amount, $212 million was paid in 2011 and $444 million still resisted at the end of the year (Table 7.7).

Table 7.1

Life Insurance in the United States

	Life Insurance			Average annual percent change	
	2001	**2010**	**2011**	**2001/2011**	**2010/2011**
PURCHASES					
Face amount (millions)					
Individual[1]	$1,600,471	$1,673,216	$1,672,514	0.4	0.0
Group	1,172,080	1,135,354	1,159,934	-0.1	2.2
Credit	166,151	68,355	57,999	-10.0	-15.2
Total	2,938,702	2,876,925	2,890,447	-0.2	0.5
Policies (thousands)					
Individual	14,059	10,123	10,309	-3.1	1.8
Group (certificates)	26,036	18,498	16,867	-4.2	-8.8
Credit	18,295	10,988	12,143	-4.0	10.5
Total	58,390	39,609	39,320	-3.9	-0.7
IN FORCE					
Face amount (millions)					
Individual	$9,345,723	$10,483,516	$10,993,501	1.6	4.9
Group	6,765,074	7,830,631	8,119,879	1.8	3.7
Credit	178,851	111,805	105,685	-5.1	-5.5
Total	16,289,648	18,425,952	19,219,065	1.7	4.3
Policies (thousands)					
Individual	166,118	151,787	150,702	-1.0	-0.7
Group (certificates)	163,081	109,462	112,119	-3.7	2.4
Credit	47,929	23,086	23,495	-6.9	1.8
Total	377,128	284,335	286,315	-2.7	0.7

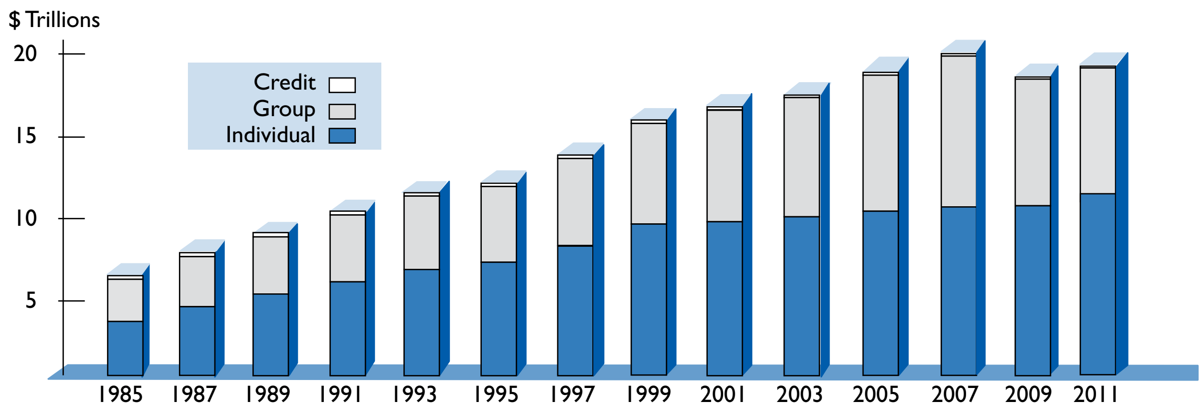
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, for 2010 & 2011, fraternal benefit societies. Data represent direct business, except for face amount in force which is net of reinsurance.

[1]Policies issued by fraternal benefit societies are considered individual business.

Figure 7.1

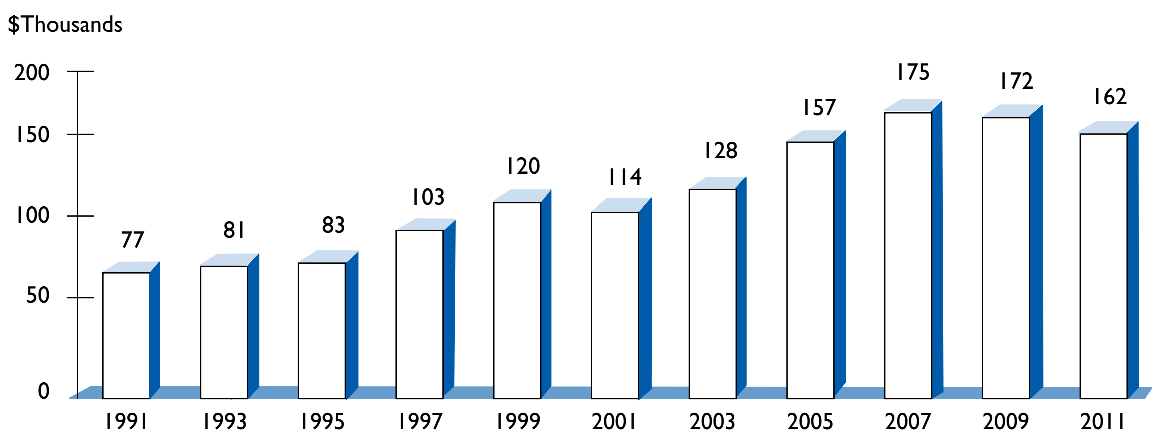
Individual, Group, and Credit Life Insurance in Force in the United States (face amount)



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

Figure 7.2

Average Face Amount of Individual Life Insurance Policies Purchased



Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers, and, as of 2003, fraternal benefit societies.

Table 7.2

Individual Life Insurance Purchases in the United States, by Plan Type, 2011

	Policies in thousands/Amounts in millions			
	Policies	**Percent**	**Face amount**	**Percent**
Term insurance				
Decreasing	174	1.8	$3,110	0.2
Level	3,496	35.2	1,023,438	62.3
Decreasing other term[1]	NA	NA	3,724	0.2
Level other term[2]	NA	NA	63,520	3.9
Term additions	NA	NA	1,484	0.1
Total	3,670	37.0	1,095,277	66.7
Whole life and endowment	6,251	63.0	546,278	33.3
Aggregate total	9,922	100.0	1,641,555	100.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Note: NAIC does not endorse any analysis or conclusions based on use of its data. Does not include fraternal benefit societies.
NA: Not available.
[1]Includes decreasing term insurance on spouses and children under family policies.
[2]Includes level term insurance on spouses and children under family policies.

Table 7.3

Life Insurance Purchases, by Participating Status

	Individual		Group		Credit		Total	
	Face amount (millions)	**Percent**	**Face amount (millions)**	**Percent**	**Face amount (millions)**	**Percent**	**Face amount (millions)**	**Percent**
2001								
Nonparticipating	$1,234,437	77.1	$822,061	70.1	$143,004	86.1	$2,199,503	74.8
Participating	366,034	22.9	350,019	29.9	23,147	13.9	739,200	25.2
Total	1,600,471	100.0	1,172,080	100.0	166,151	100.0	2,938,702	100.0
2010								
Nonparticipating	$1,252,554	74.9	$1,084,834	95.6	$54,614	79.9	$2,392,002	83.1
Participating	420,662	25.1	50,520	4.4	13,741	20.1	484,923	16.9
Total	1,673,216	100.0	1,135,354	100.0	68,355	100.0	2,876,925	100.0
2011								
Nonparticipating	$1,241,499	74.2	$1,104,112	95.2	$48,006	82.8	$2,393,617	82.8
Participating	431,015	25.8	55,822	4.8	9,993	17.2	496,830	17.2
Total	1,672,514	100.0	1,159,934	100.0	57,999	100.0	2,890,447	100.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers; data for fraternal benefit societies not included.

Table 7.4

Voluntary Termination Rates for Life Insurance Policies, Calculated by Face Amount (percent)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Lapse rate											
Individual	5.9	6.6	5.7	5.4	4.9	4.9	5.1	6.1	5.7	5.4	4.8
Group	11.2	8.7	8.4	9.5	8.4	8.1	6.7	6.7	6.6	5.6	4.6
Credit	6.8	5.6	5.3	5.3	6.9	7.4	6.9	6.1	9.9	6.9	6.8
Surrender rate											
Individual	1.8	1.9	1.9	1.6	1.7	1.4	1.3	1.5	1.6	1.4	1.2
Group	0.5	0.5	0.6	0.3	0.2	0.5	0.1	0.2	0.3	0.2	0.3
Credit	12.6	13.7	11.8	10.9	10.0	9.4	7.9	8.3	7.0	6.6	7.3
Combined termination rate											
Individual	7.7	8.6	7.6	7.0	6.6	6.3	6.4	7.6	7.3	6.8	6.1
Group	11.7	9.2	9.0	9.7	8.6	8.6	6.8	6.9	7.0	5.8	4.9
Credit	19.4	19.3	17.1	16.2	16.9	16.8	14.8	14.4	16.9	13.5	14.1

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers, and after 2002, fraternal benefit societies.

Table 7.5

Voluntary Termination Rates for Life Insurance Policies, Calculated by Number of Policies (percent)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Lapse rate											
Individual	6.0	8.3	5.7	5.9	5.6	5.8	5.5	6.8	5.7	5.0	4.9
Group	11.3	8.9	8.6	9.1	8.4	7.9	6.6	6.6	10.0	6.7	5.9
Credit	5.9	8.2	6.0	4.5	5.9	5.5	5.4	5.4	10.1	7.9	7.9
Surrender rate											
Individual	1.6	1.2	1.3	1.1	1.3	1.1	1.1	1.1	1.2	1.2	1.1
Group	0.3	0.4	0.6	0.2	0.1	0.2	0.1	0.2	0.2	0.1	0.2
Credit	13.6	14.1	11.3	10.8	10.4	18.7	9.3	18.0	10.0	10.7	10.7
Combined termination rate											
Individual	7.6	9.6	6.9	7.0	6.9	6.9	6.6	7.9	6.9	6.1	6.1
Group	11.6	9.3	9.2	9.3	8.6	8.0	6.7	6.8	10.2	6.8	6.0
Credit	19.4	22.2	17.4	15.4	16.2	24.1	14.6	23.4	20.1	18.6	18.6

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers, and after 2002, fraternal benefit societies.

Table 7.6

Life Insurance With Disability Provisions, 2011

	Policies	Percent of policies in force	Face amount	Percent of amount in force
	Policies and certificates in thousands/Amounts in millions			
Individual[1, 2]				
Waiver of premium	35,730	23.7	$3,658,606	33.3
Disability income	427	0.3	26,427	0.2
Extended benefits	1	0.0	0	0.0
Other	3,687	2.4	37,528	0.3
Total	39,844	26.4	3,722,562	33.9
Group[3]				
Waiver of premium	46,754	41.7	4,110,699	50.6
Disability income	621	0.6	23,173	0.3
Extended benefits	1,048	0.9	102,681	1.3
Other	2,507	2.2	244,024	3.0
Total	50,930	45.4	4,480,577	55.2
Credit[4]				
Waiver of premium	2	0.0	292	0.3
Disability income	880	3.7	4,255	4.0
Extended benefits	19	0.1	136	0.1
Total	902	3.8	4,683	4.4

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.

[1]Does not include fraternal benefit societies.

[2]Policies in force totaled 150 million, with a face amount of $11 trillion.

[3]Certificates in force totaled 112 million, with a face amount of $8.1 trillion.

[4]Policies in force totaled 23 million, with a face amount of $106 billion.

Table 7.7

New Policy Claims Resisted or Compromised (thousands)

	2001		2010		2011	
	Face amount	Percent	Face amount	Percent	Face amount	Percent
New claims in dispute	$199,728	34.2	$342,589	24.9	$307,078	23.1
All other claims in dispute	384,836	65.8	1,033,036	75.1	1,025,116	76.9
Total claims in dispute	584,564	100.0	1,375,625	100.0	1,332,195	100.0
Amount paid for new claims	17,195	27.2	19,329	16.6	28,044	13.2
Amount paid for claims previously resisted	45,994	72.8	97,412	83.4	184,358	86.8
Total amount paid	63,198	100.0	116,741	100.0	212,402	100.0
Amount resisted at year's end[1]	275,193		558,509		443,641	

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, for 2010 & 2011, includes fraternal benefit societies.

[1]Not equal to subtracting total amount paid from total claims in dispute. The amount paid for claims disposed of usually varies from the amount claimed.

Table 7.8

Life Insurance Purchases, by Year

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

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

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

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

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

‡Includes fraternal benefit societies.

Table 7.9

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

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

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

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

*Fewer than 500,000.

‡Includes fraternal benefit societies.

[1]Includes group credit certificates.

8 ANNUITIES

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

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

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

During 2011, payments into annuities, known as considerations, increased 12 percent to $359 billion (Table 8.1), while annuity reserves increased 3 percent to $2.8 trillion (Table 8.2).

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

GROUP AND INDIVIDUAL ANNUITIES

Contributions to group annuities, which are sold through employer-sponsored retirement plans, increased to $117 billion in 2011, 13 percent higher than in 2010 (Table 8.1). Reserves for this type of annuity accounted for nearly one-third of all annuity reserves by the end of 2011 (31%), or $871 billion (Table 8.2). Benefit payments to group annuitants were virtually unchanged from 2010 at $25 billion (Table 8.3).

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

Profit-sharing, 401(k), 403(b), and 457 plans are *defined contribution plans*. Rather than specifying benefits and retirement income, this type of plan specifies contributions, usually as a fixed amount or a percentage of income, where the employee bears the investment risk. The benefit received under defined contribution plans is determined by contributions, investment returns, and expenses. Annuitization of the balance at retirement is not mandatory, and lump sums have been the most popular distribution method.

A person can also buy an annuity directly from a life insurer. During 2011, Americans deposited $218 billion in individual annuities, up almost 15 percent from 2010 (Table 8.1). Individual annuity owners received $49 billion in benefit payments, leaving $1.9 trillion in individual annuity reserves at year-end 2011 (Tables 8.2–8.3).

SUPPLEMENTARY CONTRACTS, ANNUITIES CERTAIN, AND OTHER ANNUITIES

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

During 2011, $24 billion was deposited into supplementary contracts without life contingencies and annuities certain, 11 percent less than in 2010 (Table 8.1), and $26 billion was paid to policyholders or beneficiaries (Table 8.3), leaving a total reserve of $81 billion at the end of 2011 to back future claims (Table 8.2).

Table 8.1

Annuity Considerations

	Millions			Average annual percentage change	
	2001	2010	2011	2001/2011	2010/2011
Individual annuities[1]	$141,656	$189,946	$217,837	4.4	14.7
Group annuities	109,599	103,677	117,058	0.7	12.9
Annuities certain and supplementary contracts without life contingencies	22,675	27,372	24,247	0.7	-11.4
Total	273,930	320,995	359,142	2.7	11.9

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, as of 2003, fraternal benefit societies.

[1]Includes supplementary contracts with life contingencies.

Table 8.2

Reserves for Annuity Contracts

	Millions			Average annual percentage change	
	2001	2010	2011	2001/2011	2010/2011
Individual annuities[1]	$958,271	$1,796,692	$1,858,182	6.8	3.4
Group annuities	571,451	863,100	871,126	4.3	0.9
Annuities certain and supplementary contracts without life contingencies	37,353	79,893	81,410	8.1	1.9
Total	1,567,075	2,739,686	2,810,717	6.0	2.6

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.
[1]Includes supplementary contracts with life contingencies.

Table 8.3

Annuity Benefit Payments

	Millions			Average annual percentage change	
	2001	2010	2011	2001/2011	2010/2011
Individual annuities[1]	$30,632	$45,086	$49,322	4.9	9.4
Group annuities	24,565	25,003	25,196	0.3	0.8
Annuities certain and supplementary contracts without life contingencies	17,150	29,172	25,893	4.2	-11.2
Total	72,347	99,261	100,411	3.3	1.2

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.
[1]Includes supplementary contracts with life contingencies.

Table 8.4

Annuity Considerations, by Year (millions)

Year	Individual[1]	Group[2]	Other[3]	Total
1977	$4,552	$10,422	NA	$14,974
1978	4,454	11,885	NA	16,339
1979	4,976	12,963	NA	17,939
1980	6,296	16,133	NA	22,429
1981	10,290	17,289	NA	27,579
1982	15,196	19,448	NA	34,644
1983	14,003	16,541	NA	30,544
1984	15,706	27,153	NA	42,859
1985	20,891	33,008	NA	53,899
1986	26,117	57,595	NA	83,712
1987	33,764	54,913	NA	88,677
1988	43,784	59,494	NA	103,278
1989	49,407	65,590	NA	114,997
1990	53,665	75,399	NA	129,064
1991	51,671	71,919	NA	123,590
1992	61,348	71,297	NA	132,645
1993	76,987	79,458	NA	156,445
1994	80,832	73,017	NA	153,849
1995	77,370	82,565	NA	159,935
1996	84,067	92,228	NA	176,295
1997	90,192	107,355	NA	197,547
1998	95,446	134,047	NA	229,493
1999	115,621	154,591	NA	270,212
2000	143,071	163,622	NA	306,693
2001[4]	141,656	109,599	$22,675	273,930
2002[4]	168,428	100,861	22,608	291,897
2003[4]	165,943	102,614	21,811	290,369
2004[4]	172,140	104,537	24,352	301,029
2005[4]	167,032	110,084	25,479	302,596
2006[4]	187,083	115,645	26,344	329,071
2007[4]	192,503	121,722	27,119	341,344
2008[4]	208,965	119,169	26,842	354,976
2009[4]	128,853	102,727	24,053	255,633
2010[4]	189,946	103,677	27,372	320,995
2011[4]	217,837	117,058	24,247	359,142

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and, as of 2003, fraternal benefit societies.

NA: Not available.

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

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

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

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

Table 8.5

Annuity Reserves, by Year

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

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.

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

9 DISABILITY INCOME AND LONG-TERM CARE INSURANCE

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

DISABILITY INCOME INSURANCE

Prolonged unemployment due to disability can jeopardize a worker's lifestyle and savings for retirement. The risk of becoming disabled is significant: According to the US Census Bureau, nearly seventeen percent of working-age Americans reported a disability in 2010. Of those with a disability, less than 46% were employed compared to the nearly 84% of working-age Americans with no disability.

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

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

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

Individual Disability Income Insurance

Individual disability income policies are sold to the self-employed, professionals, and to a market of diverse needs. Some people prefer individual coverage rather than group coverage because the former is portable. Workers, whose employers provide only basic coverage, may buy additional disability insurance through an individual policy. Companies also purchase disability income insurance to protect or dispose of the business if a key employee or the owner becomes disabled.

Personal Coverage

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

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

Business Coverage

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

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

Businesses frequently obtain a disability income policy to cover business overhead expenses, including wages, in case the owner becomes disabled. A business also can purchase reducing term disability insurance to help cover loan repayments, purchase agreements, or salary contracts if the owner or key employee becomes disabled. This type of insurance is in effect for the length of the loan or other commitment, and coverage is reduced as the amount due is paid off.

Group Disability Income Insurance

Many disability income policies are offered as part of an employee group benefit package. Employers purchase disability coverage from an insurance company or self-insure the benefits. According to the U.S. Bureau of Labor Statistics, 37 percent of all workers in private industry were participating in short-term disability income insurance in 2011; 31 percent were participating in long-term disability income insurance.

Short-Term Coverage

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

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

Long-Term Coverage

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

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

LONG-TERM CARE INSURANCE

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

Since the likelihood of chronic illness or disability increases with age, long-term care insurance traditionally has been sold to older Americans. However, the younger the purchaser, the lower the premiums, and within the last 10 years, group insurance plans have begun covering working-age people. In 2011, life insurers collected $10.2 billion in long-term care insurance premiums (NAIC data).

The market for private long-term care insurance is closely linked to federal and state government policy. Public funding for long-term care comes from two main sources. Medicaid—a joint federal-state program that targets low income people—is the primary government funding source for long-term care. To qualify, beneficiaries must deplete most of their assets and meet a strict income test. Medicare primarily pays for medically related recovery and rehabilitation services at home or in a nursing home.

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

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

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

Individual Long-Term Care Coverage

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

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

Group Long-Term Care Coverage

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

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

According to the U.S. Bureau of Labor Statistics, 14 percent of all workers in private industry had access to long-term care insurance at work in 2011.

ACCELERATED BENEFITS

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

10 IN THE STATES

The life insurance industry is integral to the economies of all 50 states and the District of Columbia. In 2011, 876 life insurers were domiciled in the United States, and another 19 were domiciled in U.S. territories (Table 10.1). The companies' investments contribute to state economies as Americans and their families achieve financial security through life insurance products.

Billions of dollars of individual and group life insurance coverage is purchased in each state every year, ranging from $330 billion in California to $4 billion in Vermont in 2011 (Table 10.2). Total life insurance in force ranged from $3 trillion in California to $42 billion in Wyoming (Table 10.3).

Payments from life insurers are a mainstay of financial security for residents in every state. Death payments under life insurance policies were greatest in California ($7.4 billion) and Texas ($5.3 billion) during 2011 (Table 10.4). Life insurance beneficiaries in 11 other states received payments totaling over $2 billion, and 15 states had death payments between $1 billion and $2 billion. Table 10.5 breaks down death payments among individual, group, and credit policies.

Annuity payments are another source of financial security provided by life insurers nationwide. In 2011, payments from annuities totaled $8.4 billion in California followed by $6.2 billion in New York (Table 10.4). Residents of 23 other states received annuity payments totaling more than $1 billion.

Table 10.6 reports the distribution of premium receipts by state in 2011 across the various product lines offered by life insurers—life insurance, annuities, health insurance, and deposit-type funds. The greatest premium amounts for life insurance, health insurance, and annuities were collected in California ($58 billion) and New York ($48 billion).

Life insurers are a significant source of investment capital in each state, particularly through real estate loans. U.S. life insurers held $330 billion in domestic mortgages in 2011. Mortgage holdings ranged from $106 million in Vermont to $69 billion in California (Table 10.7). Life insurers also directly own real estate across the country—$28 billion worth in 2011 (Table 10.8). California and Texas had the most real estate owned by life insurers, with $5.4 billion and $2.3 billion, respectively.

Table 10.1

Life Insurers, by State of Domicile, 2011

Alabama	11	Nebraska	32
Alaska	-	Nevada	1
Arizona	39	New Hampshire	2
Arkansas	25	New Jersey	6
California	13	New Mexico	1
Colorado	9	New York	85
Connecticut	27	North Carolina	2
Delaware	26	North Dakota	3
District of Columbia	2	Ohio	43
Florida	11	Oklahoma	23
Georgia	16	Oregon	2
Hawaii	4	Pennsylvania	36
Idaho	1	Rhode Island	2
Illinois	59	South Carolina	13
Indiana	27	South Dakota	2
Iowa	26	Tennessee	10
Kansas	11	Texas	121
Kentucky	7	Utah	14
Louisiana	27	Vermont	2
Maine	1	Virginia	5
Maryland	4	Washington	9
Massachusetts	16	West Virginia	-
Michigan	22	Wisconsin	26
Minnesota	14	Wyoming	1
Mississippi	13	Total U.S.	876
Missouri	23		
Montana	1	Guam	4
		Puerto Rico	15
		Aggregate total	895

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.

Table 10.2

Life Insurance Purchases, by State, 2011 (face amount in millions)

	Individual	Group	Total
Alabama	$23,213	$14,107	$37,320
Alaska	3,544	1,898	5,442
Arizona	27,684	16,882	44,565
Arkansas	11,095	6,299	17,394
California	203,708	126,429	330,137
Colorado	31,048	22,655	53,702
Connecticut	26,918	19,347	46,265
Delaware	6,918	7,969	14,887
District of Columbia	4,886	7,710	12,596
Florida	93,621	55,803	149,424
Georgia	53,369	45,247	98,616
Hawaii	7,354	2,463	9,817
Idaho	7,603	4,501	12,103
Illinois	72,859	59,726	132,584
Indiana	24,874	21,359	46,233
Iowa	17,036	12,525	29,561
Kansas	15,222	11,629	26,851
Kentucky	15,153	14,876	30,029
Louisiana	24,756	14,241	38,997
Maine	3,943	5,259	9,203
Maryland	33,816	21,056	54,872
Massachusetts	41,173	38,800	79,972
Michigan	36,954	30,510	67,465
Minnesota	32,462	22,262	54,724
Mississippi	13,521	6,053	19,574
Missouri	27,745	24,718	52,463
Montana	3,983	1,578	5,561
Nebraska	11,789	6,773	18,562
Nevada	12,757	5,791	18,548
New Hampshire	5,980	5,383	11,363
New Jersey	64,217	61,110	125,328
New Mexico	6,097	8,381	14,478
New York	140,219	65,561	205,781
North Carolina	47,192	45,057	92,249
North Dakota	4,258	2,997	7,255
Ohio	46,695	49,333	96,027
Oklahoma	15,287	11,149	26,436
Oregon	14,259	8,269	22,528
Pennsylvania	60,190	68,053	128,243
Rhode Island	4,858	3,078	7,936
South Carolina	21,701	28,997	50,698
South Dakota	6,636	2,441	9,076
Tennessee	31,074	28,732	59,806
Texas	125,160	137,733	262,893
Utah	20,120	10,527	30,646
Vermont	2,324	1,636	3,960
Virginia	40,692	36,441	77,133
Washington	29,509	17,970	47,479
West Virginia	5,106	3,301	8,407
Wisconsin	26,054	18,817	44,871
Wyoming	2,751	2,009	4,760
Total U.S.	1,609,380	1,245,441	2,854,820
Other[1]	93,391	21,570	114,960
Aggregate total	1,702,770	1,267,010	2,969,781

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent direct business of US life insurers and fraternal benefit societies.

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

Table 10.3

Life Insurance in Force, by State, 2011

	Thousands of policies/Millions of dollars					
	Individual		Group[1]	Credit		Total
	Policies	Face amount	Face amount	Policies[2]	Face amount	Face amount
Alabama	5,332	$244,770	$119,116	288	$1,360	$365,246
Alaska	176	35,578	22,702	24	172	58,452
Arizona	1,736	283,511	157,765	101	931	442,208
Arkansas	1,621	110,941	66,764	133	658	178,363
California	10,077	2,129,805	1,008,403	441	1,702	3,139,911
Colorado	1,882	326,956	174,557	113	621	502,135
Connecticut	1,614	340,989	166,188	79	591	507,768
Delaware	482	97,700	98,228	26	193	196,120
District of Columbia	414	38,879	117,452	19	111	156,442
Florida	7,258	973,481	511,913	681	3,976	1,489,371
Georgia	5,246	555,997	354,827	997	2,961	913,785
Hawaii	562	79,359	35,961	96	574	115,894
Idaho	500	73,818	36,594	68	431	110,843
Illinois	6,904	830,948	475,463	496	2,438	1,308,849
Indiana	3,302	296,502	174,992	326	1,403	472,897
Iowa	1,910	195,769	93,257	162	1,257	290,283
Kansas	1,521	167,555	92,674	123	894	261,123
Kentucky	2,329	168,872	127,897	413	1,567	298,336
Louisiana	3,971	237,192	129,043	640	2,753	368,988
Maine	501	54,929	48,154	77	597	103,681
Maryland	3,563	377,793	228,509	336	1,305	607,606
Massachusetts	2,670	498,415	268,937	144	775	768,127
Michigan	4,237	448,993	309,593	398	2,738	761,324
Minnesota	2,659	391,724	255,411	158	1,612	618,748
Mississippi	2,031	128,479	65,742	351	1,434	195,655
Missouri	3,141	310,340	208,539	266	1,562	520,440
Montana	355	43,799	20,261	45	306	64,365

Continued

Table 10.3

Life Insurance in Force, by State, 2011—continued

	Thousands of policies/Millions of dollars					
	Individual		Group[1]	Credit		Total
	Policies	Face amount	Face amount	Policies[2]	Face amount	Face amount
Nebraska	1,098	125,422	66,457	154	824	192,703
Nevada	661	117,871	53,853	55	249	171,972
New Hampshire	553	80,984	39,531	114	949	121,464
New Jersey	3,937	758,247	509,276	175	1,251	1,268,774
New Mexico	652	67,292	76,484	131	972	144,748
New York	8,117	1,403,619	681,435	656	4,428	2,089,482
North Carolina	6,080	520,610	353,203	582	2,715	876,528
North Dakota	399	42,571	19,150	54	538	62,259
Ohio	6,259	577,201	361,194	352	2,621	941,016
Oklahoma	1,509	149,519	93,697	183	1,320	244,537
Oregon	1,106	171,003	94,299	133	765	266,067
Pennsylvania	7,358	732,013	450,847	724	4,924	1,1187,784
Rhode Island	422	63,180	47,731	19	129	111,041
South Carolina	3,218	216,957	119,281	789	1,921	338,159
South Dakota	501	64,268	20,487	44	344	85,099
Tennessee	3,882	333,255	210,004	431	2,404	545,662
Texas	10,546	1,210,563	809,577	1,759	13,265	2.033,405
Utah	783	175,835	75,381	223	1,224	254,440
Vermont	284	30,762	17,343	29	240	48,345
Virginia	4,241	463,853	372,679	353	2,190	838,722
Washington	1,877	330,989	255,161	127	811	556,960
West Virginia	963	53,087	49,261	90	625	102,972
Wisconsin	3,138	329,181	179,169	237	1,487	509,836
Wyoming	225	28,163	13,930	22	203	42,296
Total U.S.	143,803	17,489,542	10,278,370	14,437	81,319	27,849,230
Other[3]	6,852	567,120	140,366	9,054	41,001	748,488
Aggregate total	150,655	18,056,662	10,418,736	23,492	122,320	28,597,719

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Credit category is limited to life insurance on loans of 10 years or less duration. Ordinary and group categories include credit life insurance on loans of more than 10 years duration. Data represent direct business of U.S. life insurers and fraternal benefit societies.

[1]Omits policies due to double counting.

[2]Includes group credit certificates.

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

Table 10.4

Life Insurance and Annuity Benefit Payments, by State, 2011 (thousands)

	Policy and contract dividends	Death payments	Annuity payments[1]	Surrender values	Other payments[2]	Total
Alabama	$203,723	$1,354,015	$731,742	$2,853,300	$22,448	$5,165,227
Alaska	24,123	215,649	111,114	453,165	1,834	805,885
Arizona	266,616	1,572,842	1,678,143	4,447,057	25,749	7,990,406
Arkansas	114,957	752,557	475,355	1,418,585	10,178	2,771,631
California	1,512,101	7,351,719	8,444,153	25,617,368	129,417	43,054,758
Colorado	285,307	1,152,233	1,211,800	4,209,593	28,987	6,887,920
Connecticut	397,719	1,305,481	2,356,734	10,786,117	22,394	14,868,445
Delaware	63,495	792,715	1,430,037	2,112,980	6,357	4,405,583
District of Columbia	54,392	181,501	202,962	898,578	152,274	1,489,707
Florida	1,016,752	5,065,633	5,421,118	17,794,587	100,683	29,398,773
Georgia	477,226	2,555,484	1,396,497	5,633,883	42,443	10,105,583
Hawaii	88,464	342,701	399,340	1,533,279	7,889	2,371,673
Idaho	77,333	360,655	328,650	838,851	5,369	1,610,857
Illinois	1,064,031	3,340,181	3,598,457	9,977,929	82,098	18,062,696
Indiana	426,496	1,530,933	1,442,098	4,954,682	36,654	8,390,863
Iowa	346,750	1,093,797	937,488	3,077,837	26,938	5,482,811
Kansas	202,086	796,196	653,116	2,854,520	18,512	4,524,429
Kentucky	201,915	1,071,171	819,058	2,239,707	49,345	4,381,196
Louisiana	211,996	1,153,634	829,463	2,940,050	25,111	5,160,254
Maine	92,371	342,481	339,853	976,745	10,947	1,763,396
Maryland	399,421	1,711,574	1,602,044	4,584,190	29,909	8,327,138
Massachusetts	676,796	1,698,369	2,429,266	8,110,746	38,201	12,953,377
Michigan	626,330	2,362,835	2,766,573	8,847,341	44,773	14,647,851
Minnesota	446,475	2,103,683	1,467,019	5,456,240	35,213	9,508,630
Mississippi	93,059	664,445	321,973	1,318,880	13,167	2,411,524
Missouri	357,768	1,645,230	1,421,543	5,558,152	50,188	9,032,880
Montana	60,831	208,888	221,954	479,464	4,607	975,744

Continued

Table 10.4

Life Insurance and Annuity Benefit Payments, by State, 2011 (thousands)—continued

	Policy and contract dividends	Death payments	Annuity payments[1]	Surrender values	Other payments[2]	Total
Nebraska	164,096	732,097	746,154	1,494,181	13,091	3,149,619
Nevada	89,621	629,158	510,012	1,570,119	8,843	2,807,753
New Hampshire	117,090	318,119	439,191	1,424,001	9,599	2,308,000
New Jersey	824,648	3,086,827	2,977,035	12,738,951	110,845	19,738,305
New Mexico	86,372	465,550	719,998	1,008,710	90,624	2,371,254
New York	2,044,612	4,912,203	6,172,096	19,201,998	144,763	32,475,672
North Carolina	609,011	2,644,870	1,785,616	8,389,126	46,838	13,475,461
North Dakota	56,611	185,986	157,347	533,867	3,792	937,603
Ohio	699,442	3,079,605	3,510,718	9,164,373	76,113	16,530,250
Oklahoma	159,893	888,995	722,990	2,014,714	14,062	3,800,654
Oregon	178,130	875,678	1,145,378	2,621,887	19,285	4,840,358
Pennsylvania	1,069,277	3,959,954	4,385,655	12,204,488	107,175	21,726,549
Rhode Island	84,742	459,233	398,122	920,594	8,931	1,871,622
South Carolina	218,370	1,281,900	790,209	3,015,627	23,270	5,329,376
South Dakota	68,308	268,809	201,671	591,922	4,207	1,134,917
Tennessee	292,017	1,580,690	1,245,581	4,799,658	26,788	7,944,734
Texas	894,071	5,285,723	4,419,569	14,252,260	78,670	24,930,293
Utah	118,834	752,102	535,687	1,777,022	8,211	3,191,857
Vermont	68,361	202,953	206,138	573,195	5,802	1,056,449
Virginia	510,579	2,167,492	1,629,643	6,129,060	38,505	10,475,280
Washington	332,823	1,249,303	1,934,199	4,238,067	36,395	7,790,786
West Virginia	110,993	391,337	402,459	1,041,331	12,888	1,959,008
Wisconsin	570,981	1,434,929	1,576,972	5,642,073	45,971	9,270,925
Wyoming	31,587	122,434	104,264	325,727	3,709	587,721
Total U.S.	19,188,998	79,703,546	79,754,256	255,646,776	1,960,062	436,253,640
Other[3]	224,752	2,230,325	3,448,508	3,542,719	3,642,769	13,089,074
Aggregate total	19,413,750	81,933,872	83,202,765	259,189,495	5,602,832	449,342,714

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data.Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent direct business of U.S. life insurers and fraternal benefit societies.

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

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

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

Table 10.5

Payments to Life Insurance Beneficiaries, by State, 2011 (thousands)

	Individual	Group	Credit	Total
Alabama	$891,193	$454,385	$8,437	$1,354,015
Alaska	74,700	140,285	664	215,649
Arizona	871,230	698,397	3,215	1,572,842
Arkansas	456,479	292,016	4,061	752,557
California	5,630,060	1,714,451	7,207	7,351,719
Colorado	843,928	305,483	2,822	1,152,233
Connecticut	815,233	488,367	1,880	1,305,481
Delaware	443,462	348,596	657	792,715
District of Columbia	65,706	115,524	271	181,501
Florida	3,731,877	1,309,113	24,643	5,065,633
Georgia	1,736,488	802,295	16,701	2,555,484
Hawaii	221,241	119,125	2,336	342,701
Idaho	210,900	147,494	2,261	360,655
Illinois	2,353,695	975,100	11,386	3,340,181
Indiana	1,019,377	501,340	10,216	1,530,933
Iowa	776,390	311,156	6,251	1,093,797
Kansas	526,133	265,801	4,262	796,196
Kentucky	617,328	444,740	9,103	1,071,171
Louisiana	829,801	312,928	10,906	1,153,634
Maine	184,107	157,042	2,331	348,481
Maryland	1,066,684	639,212	5,677	1,711,574
Massachusetts	1,236,651	459,274	2,443	1,698,369
Michigan	1,535,903	809,901	17,031	2,362,835
Minnesota	1,714,706	382,814	6,163	2,103,683
Mississippi	447,766	209,297	7,382	664,445
Missouri	1,050,509	583,421	11,300	1,645,230
Montana	141,065	66,285	1,537	208,888

Continued

Table 10.5

Payments to Life Insurance Beneficiaries, by State, 2011 (thousands)—continued

	Individual	Group	Credit	Total
Nebraska	378,327	350,433	3,337	732,097
Nevada	372,974	254,428	1,756	629,158
New Hampshire	299,730	86,332	2,057	318,119
New Jersey	1,957,629	1,124,556	4,642	3,086,827
New Mexico	260,246	201,470	3,834	465,550
New York	3,712,378	1,179,889	19,937	4,912,203
North Carolina	1,829,668	798,132	17,070	2,644,870
North Dakota	132,558	50,803	2,625	185,986
Ohio	2,165,999	898,659	14,946	3,079,605
Oklahoma	609,408	271,792	7,795	888,995
Oregon	626,709	244,159	4,810	875,678
Pennsylvania	2,649,086	1,284,295	26,573	3,959,954
Rhode Island	368,961	89,665	607	459,233
South Carolina	855,863	415,028	11,009	1,281,900
South Dakota	182,439	85,162	1,209	268,809
Tennessee	996,586	569,363	14,741	1,580,690
Texas	3,611,478	1,637,854	36,391	5,285,723
Utah	558,101	190,330	3,672	752,102
Vermont	167,316	34,426	1,211	202,953
Virginia	1,295,970	861,078	10,444	2,167,492
Washington	858,720	385,050	5,532	1,249,303
West Virginia	243,410	144,519	3,408	391,337
Wisconsin	1,074,471	353,227	7,231	1,434,929
Wyoming	84,528	36,784	1,121	122,434
Total U.S.	54,715,167	24,601,275	387,103	79,703,546
Other[1]	1,981,403	124,440	124,482	2,230,325
Aggregate total	56,696,570	24,725,716	511,586	81,933,872

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

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

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

Table 10.6

Direct Premium Receipts of Life Insurers, by State, 2011 (millions)

	Life	Annuity	Health	Deposit-type funds[1]	Total
Alabama	$2,052	$3,301	$1,630	$241	$7,223
Alaska	690	532	327	33	1,582
Arizona	2,050	6,025	3,673	329	12,077
Arkansas	957	1,850	1,393	96	4,296
California	14,474	30,489	12,933	2,871	60,767
Colorado	2,118	6,134	3,259	521	12,032
Connecticut	2,387	5,842	2,362	6,599	17,189
Delaware	1,347	3,219	469	37,915	42,950
District of Columbia	378	1,380	611	200	2,569
Florida	7,877	22,058	11,778	1,169	42,883
Georgia	4,132	7,934	6,062	919	19,048
Hawaii	644	1,734	880	61	3,319
Idaho	498	1,170	632	59	2,359
Illinois	6,306	13,073	6,316	1,424	27,119
Indiana	2,525	5,736	3,910	2,164	14,334
Iowa	1,780	4,420	1,505	3,426	11,131
Kansas	1,343	2,764	3,252	701	8,060
Kentucky	1,487	3,874	2,414	223	7,997
Louisiana	2,120	4,118	2,009	256	8,504
Maine	439	1,277	865	70	2,652
Maryland	2,747	7,100	2,898	1,255	14,001
Massachusetts	3,381	10,251	2,750	2,674	19,056
Michigan	3,904	11,051	3,712	1,017	19,685
Minnesota	3,348	7,207	1,873	625	13,053
Mississippi	1,122	1,680	1,884	173	4,859
Missouri	2,556	6,996	3,748	588	13,888
Montana	329	664	506	36	1,534
Nebraska	1,015	2,005	1,204	489	4,713
Nevada	829	1,705	1,249	241	4,024
New Hampshire	562	1,844	648	307	3,361
New Jersey	5,559	13,632	4,640	2,013	25,844
New Mexico	608	1,392	923	76	2,999
New York	10,933	29,857	6,988	17,512	65,290
North Carolina	4,352	8,922	5,015	1,180	19,470
North Dakota	378	819	354	61	1,611
Ohio	4,958	13,362	7,932	1,541	27,793
Oklahoma	1,329	2,291	1,892	228	5,739
Oregon	1,160	3,364	1,697	210	6,431
Pennsylvania	6,285	25,037	5,762	1,262	38,346
Rhode Island	439	1,271	720	77	2,507
South Carolina	1,852	3,725	2,302	187	8,065
South Dakota	599	702	432	55	1,788
Tennessee	2,650	5,767	3,049	416	11,882
Texas	9,785	18,562	14,211	1,214	43,772
Utah	1,285	2,364	1,190	149	4,988
Vermont	287	977	343	82	1,689
Virginia	3,743	7,241	4,221	840	16,045
Washington	2,103	5,561	2,867	336	10,867
West Virginia	645	1,408	1,272	119	3,444
Wisconsin	2,603	6,884	4,680	536	14,703
Wyoming	248	430	355	37	1,070
Total U.S.	137,196	330,999	157,596	94,817	720,608
Other[2]	15,636	7,581	20,269	210	43,695
Aggregate total	152,832	338,579	177,865	95,027	764,303

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts. Data represent direct business of U.S. life insurers and fraternal benefit societies.

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

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

Table 10.7

Mortgages Owned by Life Insurers, by Type and State, 2011 (thousands)

	Farm	Non-farm	Total
Alabama	$647,310	$1,434,315	$2,081,625
Alaska	4,563	132,598	137,161
Arizona	101,666	6,939,982	7,041,649
Arkansas	909,432	324,471	1,233,903
California	4,933,762	64,170,697	69,104,459
Colorado	131,001	5,681,439	5,812,441
Connecticut	1,186	2,355,557	2,356,743
Delaware	11,569	793,956	805,525
District of Columbia	-	9,021,899	9,021,899
Florida	1,055,156	19,911,243	20,966,399
Georgia	380,669	10,592,507	10,973,176
Hawaii	3,767	1,158,776	1,162,543
Idaho	720,947	761,207	1,482,154
Illinois	770,267	14,427,956	15,198,223
Indiana	519,421	2,911,958	3,431,379
Iowa	557,205	901,194	1,458,398
Kansas	141,639	1,544,866	1,686,505
Kentucky	48,657	1,863,970	1,912,627
Louisiana	147,742	674,648	822,390
Maine	215,540	529,094	744,634
Maryland	5,966	9,742,856	9,748,822
Massachusetts	-	7,955,920	7,955,920
Michigan	86,563	4,111,109	4,197,672
Minnesota	343,861	5,346,755	5,690,615
Mississippi	637,743	608,412	1,246,155
Missouri	213,684	3,357,214	3,570,899
Montana	288,759	135,976	424,736
Nebraska	502,341	1,320,595	1,822,936
Nevada	23,955	3,140,482	3,164,437
New Hampshire	57,970	545,807	603,777
New Jersey	42,267	14,035,445	14,077,711
New Mexico	124,017	876,245	1,000,262
New York	56,405	24,493,197	24,549,602
North Carolina	102,876	6,975,608	7,078,485
North Dakota	30,524	159,223	189,747
Ohio	211,810	6,939,814	7,151,624
Oklahoma	160,446	937,247	1,097,693
Oregon	623,319	5,286,854	5,910,173
Pennsylvania	118,401	8,468,449	8,586,850
Rhode Island	-	265,712	265,712
South Carolina	215,558	2,216,248	2,431,806
South Dakota	250,108	139,789	389,897
Tennessee	43,614	4,267,912	4,311,527
Texas	487,829	27,900,871	28,388,700
Utah	35,505	3,216,527	3,252,032
Vermont	-	105,767	105,767
Virginia	115,830	10,608,146	10,723,977
Washington	1,247,283	10,662,256	11,909,539
West Virginia	132,426	188,844	321,269
Wisconsin	128,722	2,204,469	2,333,190
Wyoming	123,127	56,647	179,774
Total U.S.	17,712,410	312,402,730	330,115,140
Other[1]	422,073	12,104,584	12,526,657
Aggregate total	18,134,483	324,507,314	342,641,797

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

Table 10.8

Real Estate Owned by Life Insurers, by State, 2011 (thousands)

Alabama	$132,801	Nebraska	$275,506
Alaska	25,411	Nevada	231,952
Arizona	777,748	New Hampshire	22,435
Arkansas	42,932	New Jersey	1,087,184
California	5,396,123	New Mexico	9,110
Colorado	258,355	New York	1,068,329
Connecticut	946,708	North Carolina	502,249
Delaware	28,166	North Dakota	14,699
District of Columbia	780,689	Ohio	205,718
Florida	2,019,078	Oklahoma	53,852
Georgia	1,060,513	Oregon	230,633
Hawaii	78,498	Pennsylvania	411,483
Idaho	22,355	Rhode Island	62,998
Illinois	1,377,068	South Carolina	94,149
Indiana	203,716	South Dakota	20,671
Iowa	415,560	Tennessee	461,100
Kansas	155,548	Texas	2,303,448
Kentucky	52,597	Utah	39,809
Louisiana	50,872	Vermont	44,688
Maine	73,135	Virginia	1,169,009
Maryland	100,428	Washington	2,278,767
Massachusetts	1,806,943	West Virginia	219
Michigan	271,450	Wisconsin	452,611
Minnesota	595,903	Wyoming	14,129
Mississippi	106,125		
Missouri	138,141	Total U.S.	27,971,609
Montana	-		
		Other[1]	937,473
		Aggregate total	28,909,083

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Data represent U.S. life insurers and fraternal benefit societies.
[1]Includes U.S. territories and possessions, various/multistate categories and foreign countries.

11 INDUSTRY RANKINGS

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

Table 11.1

Largest Life Insurers, by Total Assets, 2011 (thousands)

MetLife, Inc.	$612,246,773
Prudential Financial	423,904,703
Manulife Financial	243,305,600
American International Group	233,884,275
TIAA-CREF	229,784,889
New York Life	228,318,292
Hartford Life, Inc.	218,518,350
Northwestern Mutual	189,675,608
ING North America	182,053,527
AEGON USA, Inc.	180,218,364
Lincoln Financial	176,675,841
AXA Financial	149,083,054
Massachusetts Mutual	148,661,799
Principal Financial	121,455,561
Jackson National	108,222,151
Nationwide	104,995,748
AFLAC	104,079,744
Pacific Life	100,203,918
RiverSource Insurance	96,534,497
Allianz	91,529,294
Genworth Financial	68,655,674
Thrivent Financial For Lutherans	65,389,093
Allstate	64,220,085
Sun Life Assurance	63,753,521
State Farm	55,645,935

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.2

Largest Life Insurers, by General Account Assets, 2011 (thousands)	
MetLife, Inc.	$398,319,639
TIAA-CREF	212,898,034
New York Life	195,309,790
Prudential Financial	186,197,244
American International Group	182,546,897
Northwestern Mutual	170,978,582
Manulife Financial	111,117,529
AFLAC	103,876,140
Massachusetts Mutual	101,416,765
AEGON USA, Inc.	97,170,949
Lincoln Financial	90,769,880
ING North America	89,797,298
Allianz	70,439,476
Hartford Life, Inc.	62,164,483
AXA Financial	59,164,483
Principal Financial	59,111,689
Genworth Financial	57,878,020
Allstate	56,757,707
State Farm	54,409,965
Thrivent FInancial For Lutherans	50,497,995
Jackson National	49,425,214
Pacific Life	48,638,423
Aviva Group	47,998,781
Guardian	40,091,026
Sammons Financial	39,707,485

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.3

Largest Life Insurers, by Separate Account Assets, 2011 (thousands)	
Prudential Financial	$237,707,460
MetLife, Inc.	213,927,134
Hartford Life, Inc.	156,353,867
Manulife Financial	132,188,071
ING North America	92,256,229
AXA Financial	89,918,571
Lincoln Financial	85,905,960
AEGON USA, Inc.	83,047,414
Nationwide	66,327,832
RiverSource Insurance	63,387,559
Principal Financial	62,343,872
Jackson National	58,796,937
Pacific Life	51,565,495
American International Group	51,337,378
Massachusetts Mutual	47,245,034
Sun Life Assurance	33,959,925
New York Life	33,008,502
Great West	22,426,426
Allianz	21,089,818
Northwestern Mutual	18,697,025
Fidelity Investments	17,475,846
TIAA-CREF	16,886,855
Thrivent Financial For Lutherans	14,891,098
Minnesota Mutual	13,317,429
Kemper Investors	12,526,359

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.4

Largest Life Insurers, by Individual Net Life Insurance Premiums, 2011 (thousands)	
Northwestern Mutual	$11,449,223
MetLife, Inc.	10,543,808
New York Life	7,960,177
Swiss Re America	6,320,565
Prudential Financial	4,195,957
Lincoln Financial	4,131,369
Massachusetts Mutual	4,069,532
State Farm	3,945,058
AFLAC	3,585,564
Guardian	3,215,759
AXA Financial	3,083,974
Protective Life	2,699,098
Berkshire Hathaway	2,397,813
American International Group	2,392,441
Manulife Financial	2,135,712
RGA Group	1,742,265
Pacific Life	1,633,939
Hartford Life, Inc.	1,603,635
Thrivent Financial For Lutherans	1,526,933
Allstate	1,506,942
Principal Financial	1,339,044
Torchmark	1,215,993
Sammons Financial	1,091,261
Knights Of Columbus	1,080,705
Wilton Re Group	1,069,084

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Figures are net of reinsurance.

Table 11.5

Largest Life Insurers, by Group Net Life Insurance Premiums, 2011 (thousands)	
MetLife, Inc.	$5,737,932
Prudential Financial	3,909,296
New York Life	1,958,594
CIGNA	1,388,680
Minnesota Mutual	1,291,888
StanCorp Financial	809,556
UNUM	698,890
Hartford Life, Inc.	661,244
Lincoln Financial	626,858
Sun Life Assurance	586,303
Nationwide	519,557
Aetna	494,390
HCSC	476,454
Assurant, Inc.	442,320
Homesteaders Life Company	377,447
Torchmark	344,363
Guardian	329,962
Mutual of Omaha	324,555
Principal Financial	320,682
Massachusetts Mutual	311,685
National Guardian Life Insurance Group	304,095
Forethought Financial	276,895
Wellpoint, Inc.	271,654
AEGON USA, Inc.	217,150
American International Group	208,250

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Figures are net of reinsurance.

Table 11.6

Largest Life Insurers, by Total Net Life Insurance Premiums, 2011 (thousands)	
MetLife, Inc.	$16,423,532
Northwestern Mutual	11,449,223
New York Life	9,918,772
Prudential Financial	8,105,254
Swiss Re America	6,388,578
Lincoln Financial	4,758,227
Massachusetts Mutual	4,381,217
State Farm	3,999,271
AFLAC	3,598,296
Guardian	3,545,721
AXA Financial	3,091,499
Protective Life	2,747,502
American International Group	2,600,756
Berkshire Hathaway	2,471,740
Hartford Life, Inc.	2,264,878
Manulife Financial	2,201,138
Minnesota Mutual	2,171,540
RGA Group	1,773,859
Principal Financial	1,659,725
Pacific Life	1,633,905
Torchmark	1,560,356
Allstate	1,555,520
Thrivent Financial For Lutherans	1,526,933
Nationwide	1,510,075
CIGNA	1,465,941

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Figures are net of reinsurance.

Table 11.7

Largest Life Insurers, by Individual Direct Life Insurance Premiums, 2011 (thousands)	
MetLife, Inc.	$14,558,233
Northwestern Mutual	12,224,100
New York Life	8,561,754
Prudential Financial	5,772,156
Lincoln Financial	5,633,593
Manulife Financial	5,384,275
Massachusetts Mutual	4,650,924
State Farm	3,945,815
AEGON USA, Inc.	3,720,988
AFLAC	3,598,993
AXA Financial	3,534,843
Guardian	3,429,191
American International Group	3,383,778
Protective Life	2,510,624
Pacific Life	2,469,260
ING North America	2,385,761
Allstate	2,026,629
Hartford Life, Inc.	1,991,211
Genworth Financial	1,968,931
Primerica	1,937,921
Principal Financial	1,675,030
Thrivent Financial For Lutherans	1,604,414
Sammons Financial	1,528,924
Torchmark	1,356,363
Aviva Group	1,281,469

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.8

Largest Life Insurers, by Group Direct Life Insurance Premiums, 2011 (thousands)	
MetLife, Inc.	$8,108,083
Prudential Financial	4,658,091
New York Life	1,590,290
Minnesota Mutual	1,497,114
Hartford Life, Inc.	1,494,781
CIGNA	1,445,600
UNUM	1,143,985
Aetna	949,640
StanCorp Financial	812,116
Sun Life Assurance	640,101
Lincoln Financial	623,279
Nationwide	536,861
ING North America	473,751
Assurant, Inc.	438,932
Reliance Standard	438,165
Homesteaders Life Company	379,711
Torchmark	375,061
HCSC	370,035
Massachusetts Mutual	368,951
Guardian	330,813
Mutual of Omaha	323,226
AEGON USA, Inc.	322,299
Principal Financial	321,871
Wellpoint, Inc.	277,987
Forethought Financial	276,198

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.9

Largest Life Insurers, by Total Direct Life Insurance Premiums, 2011 (thousands)

MetLife, Inc.	$22,890,269
Northwestern Mutual	12,224,100
Prudential Financial	10,430,246
New York Life	10,152,044
Lincoln Financial	6,256,872
Manulife Financial	5,423,342
Massachusetts Mutual	5,019,875
AEGON USA, Inc.	4,084,350
State Farm	4,000,028
Guardian	3,760,004
American International Group	3,645,498
AFLAC	3,612,552
AXA Financial	3,542,372
Hartford Life, Inc.	3,485,992
ING North America	2,859,513
Protective Life	2,550,508
Minnesota Mutual	2,490,252
Pacific Life	2,469,260
Allstate	2,129,182
Principal Financial	1,996,901
Genworth Financial	1,988,346
Primerica	1,941,454
CIGNA	1,825,479
Sun Life Assurance	1,820,302
UNUM	1,738,848

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.10

Largest Life Insurers, by Individual Life Insurance Issued, 2011 (thousands)	
MetLife, Inc.	$130,434,143
Northwestern Mutual	126,574,405
ING North America	103,786,023
New York Life	94,124,336
State Farm	78,560,139
Primerica	63,991,444
Legal & General	62,917,703
Genworth Financial	61,040,347
AEGON USA, Inc.	56,427,639
American International Group	55,986,700
Prudential Financial	54,981,241
AXA Financial	42,097,833
Lincoln Financial	41,191,432
Allstate	39,565,652
Massachusetts Mutual	39,220,041
AFLAC	33,947,091
Manulife Financial	33,912,637
USAA	32,608,779
Guardian	30,372,179
Torchmark	23,803,750
Kemper Investors	22,736,896
Hartford Life, Inc.	21,821,094
Principal Financial	20,538,283
Minnesota Mutual	18,377,616
Protective Life	17,874,196

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.11

Largest Life Insurers, by Group Life Insurance Issued, 2011 (thousands)

MetLife, Inc.	$173,952,822
Prudential Financial	150,253,778
Minnesota Mutual	87,929,740
CIGNA	71,491,991
UNUM	69,469,742
Hartford Life, Inc.	63,443,210
StanCorp Financial	60,839,060
Lincoln Financial	52,047,782
Reliance Standard	49,340,403
Sun Life Assurance	47,695,501
Aetna	45,291,812
UnitedHealth	42,793,136
Guardian	26,884,956
ING North America	23,959,675
Mutual of Omaha	20,934,659
Torchmark	20,745,783
Principal Financial	16,799,339
Liberty Mutual	15,302,562
New York Life	14,090,870
HCSC	14,025,786
Assurant, Inc.	10,783,375
AAA Life Insurance Company	8,701,676
Arkansas Blue Cross & Blue Shield	7,770,649
Wellpoint, Inc.	7,441,566
5 Star Life Insurance Company	6,465,239

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.12

Largest Life Insurers, by Total Life Insurance Issued, 2011 (thousands)	
MetLife, Inc.	$307,704,493
Prudential Financial	205,235,036
ING North America	127,745,698
Northwestern Mutual	126,574,405
Minnesota Mutual	109,395,387
New York Life	108,215,206
Lincoln Financial	93,239,214
Hartford Life, Inc.	85,264,304
UNUM	81,528,397
State Farm	78,673,836
AEGON USA, Inc.	76,124,658
CIGNA	71,680,043
Primerica	64,050,652
Legal & General	62,928,821
Genworth Financial	61,041,556
StanCorp Financial	60,849,005
American International Group	59,751,134
Guardian	57,257,135
Sun Life Assurance	50,080,473
Reliance Standard	49,346,400
Aetna	45,481,591
Torchmark	44,549,533
UnitedHealth	42,953,705
AXA Financial	42,101,235
Massachusetts Mutual	41,727,528

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011.

Table 11.13

Largest Life Insurers, by Individual Life Insurance in Force, 2011 (thousands)

Northwestern Mutual	$833,429,126
State Farm	734,973,176
MetLife, Inc.	679,072,421
American International Group	673,015,187
New York Life	565,682,248
RGA Group	559,660,675
Swiss Re America	530,048,251
Berkshire Hathaway	495,691,914
AXA Financial	390,623,612
Munich American Holding	309,599,354
Prudential Financial	283,433,018
Genworth Financial	276,848,569
Allstate	235,386,569
Lincoln Financial	182,324,899
AEGON USA, Inc.	182,073,403
Guardian	162,772,771
AFLAC	162,479,113
Hartford Life, Inc.	156,804,407
Massachusetts Mutual	148,444,956
Generali Group	133,351,083
Thrivent Financial For Lutherans	132,931,574
Manulife Financial	123,030,885
Protective Life	115,530,076
Nationwide	100,689,264
Torchmark	99,680,107

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude reinsurance ceded.

Table 11.14

Largest Life Insurers, by Group Life Insurance in Force, 2011 (thousands)	
Prudential Financial	$2,001,977,299
MetLife, Inc.	1,577,296,178
Minnesota Mutual	526,784,288
CIGNA	408,498,735
New York Life	377,672,624
StanCorp Financial	295,535,891
Lincoln Financial	289,889,201
UNUM	253,966,134
Sun Life Assurance	249,945,684
Aetna	239,417,732
Hartford Life, Inc.	164,860,166
UnitedHealth	144,681,016
Guardian	135,512,940
Mutual of Omaha	130,038,940
HCSC	122,862,605
Principal Financial	109,281,877
Liberty Mutual	86,073,604
Wellpoint, Inc.	76,982,210
American International Group	71,602,577
Assurant, Inc.	69,994,528
Arkansas Blue Cross & Blue Shield	41,690,724
Great West	37,471,994
Kemper Investors	36,118,248
5 Star Life Insurance Company	35,167,696
Reliance Standard	34,690,443

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude reinsurance ceded.

Table 11.15

Largest Life Insurers, by Total Life Insurance in Force, 2011 (thousands)	
Prudential Financial	$2,285,411,148
MetLife, Inc.	2,278,052,635
New York Life	943,354,872
Northwestern Mutual	834,799,829
State Farm	748,412,260
American International Group	744,624,741
Minnesota Mutual	583,978,185
RGA Group	573,909,028
Swiss Re America	552,564,766
Berkshire Hathaway	524,125,586
Lincoln Financial	472,214,100
CIGNA	423,262,542
AXA Financial	392,384,600
Munich American Holding	340,314,897
Hartford Life, Inc.	321,664,573
UNUM	310,752,889
Guardian	298,285,711
StanCorp Financial	295,569,013
Genworth Financial	278,316,257
Sun Life Assurance	274,564,798
Allstate	240,796,310
Aetna	240,094,879
AEGON USA, Inc.	206,440,956
Mutual of Omaha	199,089,979
Massachusetts Mutual	182,848,847

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude reinsurance ceded.

Table 11.16

Largest Life Insurers, by Individual Net Annuity Considerations, 2011 (thousands)

MetLife, Inc.	$33,281,170
Prudential Financial	19,834,298
Jackson National	17,449,223
American International Group	11,760,118
Lincoln Financial	10,564,281
Allianz	9,644,556
Nationwide	8,216,017
New York Life	7,594,471
RiverSource Insurance	6,798,134
TIAA-CREF	6,772,724
Pacific Life	4,808,368
American Equity Investment Group	4,602,378
Aviva Group	4,491,164
AEGON USA, Inc.	4,254,906
AXA Financial	3,666,476
Athene Group	3,665,959
Protective Life	3,364,821
Thrivent Financial For Lutherans	3,062,645
American Financial	3,012,399
Sammons Financial	2,901,349
Guggenheim Group	2,663,241
ING North America	2,364,648
Massachusetts Mutual	2,037,313
Symetra Financial	2,034,865
Swiss Re America	1,851,887

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Figures are net of reinsurance and exclude deposit-type funds and supplementary contracts.

Table 11.17

Largest Life Insurers, by Group Net Annuity Considerations, 2011 (thousands)

MetLife, Inc.	$17,111,499
ING North America	16,505,112
AEGON USA, Inc.	9,911,001
Prudential Financial	9,054,700
Manulife Financial	8,032,653
Massachusetts Mutual	6,995,194
New York Life	5,312,029
American International Group	4,809,771
TIAA-CREF	4,337,322
Great West	4,307,140
AXA Financial	4,269,663
Nationwide	3,281,789
Lincoln Financial	2,934,975
Sun Life Assurance	2,924,927
Hartford Life, Inc.	2,870,589
Jackson National	2,318,847
OneAmerica Financial	2,264,622
Minnesota Mutual	1,370,480
StanCorp Financial	1,126,687
Mutual of America Life Insurance Company	1,096,210
CUNA Mutual	785,212
American National	692,924
Sammons Financial	594,699
UNIFI	532,283
National Western Life Ins Co	437,217

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Figures are net of reinsurance and exclude deposit-type funds and supplementary contracts.

Table 11.18

Largest Life Insurers, by Total Net Annuity Considerations, 2011 (thousands)	
MetLife, Inc.	$50,392,669
Prudential Financial	28,888,998
Jackson National	19,768,071
ING North America	18,869,760
American International Group	16,569,888
AEGON USA, Inc.	14,165,906
Lincoln Financial	13,499,255
New York Life	12,906,500
Nationwide	11,497,806
TIAA-CREF	11,110,046
Allianz	9,644,556
Massachusetts Mutual	9,032,507
Manulife Financial	8,919,664
AXA Financial	7,936,140
RiverSource Insurance	6,956,760
Pacific Life	5,016,044
American Equity Investment Group	4,602,378
Aviva Group	4,548,480
Great West	4,363,439
Athene Group	3,665,810
Sammons Financial	3,496,048
Protective Life	3,413,240
Hartford Life, Inc.	3,321,018
Sun Life Assurance	3,273,200
American Financial	3,078,768

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Figures are net of reinsurance and exclude deposit-type funds and supplementary contracts.

Table 11.19

Largest Life Insurers, by Individual Direct Annuity Considerations, 2011 (thousands)

MetLife, Inc.	$35,722,841
Prudential Financial	20,389,551
Jackson National	17,469,705
American International Group	11,984,898
Lincoln Financial	11,023,089
Allianz	10,271,158
Nationwide	8,228,908
New York Life	7,594,471
RiverSource Insurance	6,798,146
TIAA-CREF	6,772,724
AEGON USA, Inc.	5,422,779
American Equity Investment Group	5,090,094
Pacific Life	4,890,686
Aviva Group	4,489,768
AXA Financial	3,704,385
Protective Life	3,378,530
Sammons Financial	3,360,032
Thrivent Financial For Lutherans	3,062,645
American Financial	3,009,887
ING North America	2,366,714
Manulife Financial	2,341,518
Guggenheim Group	2,062,238
Massachusetts Mutual	2,037,047
Symetra Financial	2,035,734
Fidelity Investments	1,774,838

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.20

Largest Life Insurers, by Group Direct Annuity Considerations, 2011 (thousands)	
MetLife, Inc.	$17,151,229
ING North America	16,508,752
Manulife Financial	13,026,698
AEGON USA, Inc.	9,925,616
Prudential Financial	9,042,443
Massachusetts Mutual	6,995,194
New York Life	5,312,029
American International Group	4,811,492
AXA Financial	4,590,946
TIAA-CREF	4,337,322
Great West	4,302,779
Nationwide	3,282,108
Lincoln Financial	2,931,851
Sun Life Assurance	2,927,574
Hartford Life, Inc.	2,870,111
Jackson National	2,318,847
OneAmerica Financial	2,251,122
Minnesota Mutual	1,369,995
StanCorp Financial	1,126,687
Mutual of America Life Insurance Company	1,096,210
CUNA Mutual	785,212
Sammons Financial	708,195
American National	692,924
UNIFI	532,283
National Western Life Ins Co	437,217

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.21

Largest Life Insurers, by Total Direct Annuity Considerations, 2011 (thousands)

MetLife, Inc.	$52,874,069
Prudential Financial	29,431,995
Jackson National	19,788,552
ING North America	18,875,466
American International Group	16,796,390
Manulife Financial	15,368,215
AEGON USA, Inc.	15,348,395
Lincoln Financial	13,954,939
New York Life	12,906,500
Nationwide	11,511,016
TIAA-CREF	11,110,046
Allianz	10,271,158
Massachusetts Mutual	9,032,242
AXA Financial	8,295,331
RiverSource Insurance	6,955,288
American Equity Investment Group	5,090,094
Pacific Life	5,085,515
Aviva Group	4,545,144
Great West	4,359,364
Hartford Life, Inc.	4,112,483
Sammons Financial	4,068,227
Protective Life	3,426,949
Sun Life Assurance	3,269,805
American Financial	3,076,256
Thrivent Financial For Lutherans	3,062,645

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.22

Largest Life Insurers, by Individual Annuity Reserves, 2011 (millions)

MetLife, Inc.	$197,999
TIAA-CREF	157,913
American International Group	111,851
Lincoln Financial	94,743
Hartford Life, Inc.	82,580
Jackson National	80,160
Allianz	75,809
RiverSource Insurance	73,259
Prudential Financial	71,886
New York Life	66,354
Manulife Financial	64,117
Pacific Life	58,253
AEGON USA, Inc.	56,470
ING North America	44,431
Nationwide	42,533
Aviva Group	30,402
Allstate	30,208
AXA Financial	29,222
Thrivent Financial For Lutherans	26,656
Genworth Financial	25,074
American Equity Investment Group	20,852
Massachusetts Mutual	19,631
Western and Southern Financial	18,161
Principal Financial	17,751
Fidelity Investments	17,512

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.23

Largest Life Insurers, by Group Annuity Reserves, 2011 (millions)

Prudential Financial	$105,411
MetLife, Inc.	103,194
ING North America	89,363
Manulife Financial	76,451
AXA Financial	68,871
American International Group	48,768
AEGON USA, Inc.	41,436
Massachusetts Mutual	38,725
Nationwide	31,972
Hartford Life, Inc.	31,716
TIAA-CREF	29,466
Great West	25,305
New York Life	20,683
Sun Life Assurance	18,062
Lincoln Financial	16,823
OneAmerica Financial	11,841
Minnesota Mutual	10,792
Allstate	9,547
Jackson National	9,217
Sammons Financial	7,213
Principal Financial	6,813
StanCorp Financial	6,321
American National	4,552
Northwestern Mutual	4,323
Aetna	4,226

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude deposit-type funds and supplementary contracts.

Table 11.24

Largest Life Insurers, by Total Annuity Reserves, 2011 (millions)	
MetLife, Inc.	$301,193
TIAA-CREF	187,379
Prudential Financial	177,296
American International Group	160,618
Manulife Financial	140,568
ING North America	133,793
Hartford Life, Inc.	114,296
Lincoln Financial	111,566
AXA Financial	98,093
AEGON USA, Inc.	97,906
Jackson National	89,376
New York Life	87,037
Allianz	75,832
RiverSource Insurance	75,588
Nationwide	74,505
Pacific Life	61,459
Massachusetts Mutual	58,356
Allstate	39,754
Aviva Group	33,682
Sun Life Assurance	28,342
Great West	27,480
Thrivent Financial For Lutherans	26,656
Genworth Financial	26,256
Principal Financial	24,563
Sammons Financial	21,175

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2011. Amounts exclude deposit-type funds and supplementary contracts.

12 MORTALITY AND LIFE EXPECTANCY

U.S. mortality rates and life expectancies have improved dramatically over the long term. The aggregate, age-adjusted death rate (per 1,000 population) has fallen from 17.9 in 1940 to 7.5 in 2010 (Table 12.1). The death rate among males dropped from 19.8 to 8.9 over this period, and among females, from 16 to 6.3.

Life expectancy at age 25 is currently 52.4 years for males and 56.9 years for females (Table 12.2). A man who retired in 2010 at age 65 could expect to live 17.7 years more on average, while a 65-year-old woman could expect to live another 20.3 years.

Examining trend data for life expectancy over the past century yields startling contrasts. A 25-year-old during 1900–02 could expect to live 39.1 years more vs. 54.8 additional years for a 25-year-old in 2010.

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

Table 12.1

Death Rates in the United States

Year	Age-adjusted rate per 1,000 population[1] Male	Female	Total
1940	19.8	16.0	17.9
1950	16.7	12.4	14.5
1960	16.1	11.1	13.4
1970	15.4	9.7	12.2
1975	14.2	8.6	10.9
1980	13.5	8.2	10.4
1985	12.8	7.8	9.9
1986	12.6	7.8	9.8
1987	12.5	7.7	9.7
1988	12.5	7.8	9.8
1989	12.2	7.6	9.5
1990	12.0	7.5	9.4
1991	11.8	7.4	9.3
1992	11.6	7.3	9.1
1993	11.8	7.5	9.3
1994	11.6	7.5	9.2
1995	11.5	7.5	9.2
1996	11.2	7.4	9.0
1997	10.9	7.4	8.9
1998	10.6	7.3	8.8
1999	10.6	7.4	8.8
2000	10.5	7.3	8.7
2001	10.3	7.2	8.6
2002	10.1	7.2	8.5
2003	9.9	7.1	8.3
2004	9.6	6.8	8.0
2005	9.5	6.8	8.0
2006	9.2	6.6	7.8
2007	9.1	6.4	7.6
2008	9.0	6.4	7.5
2009	8.9	6.4	7.5
2010*	8.9	6.3	7.5

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

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

*2010 data are preliminary.

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010

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

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010—Continued

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

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010—Continued

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

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010—Continued

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

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010—Continued

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

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010—Continued

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

Continued

Table 12.2

Life Expectancy, by Age and Gender, 1900–2010—Continued

	Age	Male	Female	Total
2009	Newborn	76.0	80.9	78.6
	1	75.6	80.4	78.1
	5	71.6	76.5	74.2
	15	61.7	71.5	64.3
	25	52.3	56.8	54.3
	35	43.0	47.1	45.3
	45	33.8	37.7	35.9
	55	25.4	28.7	27.2
	65	17.7	20.3	19.2
	75	11.0	12.9	12.2
	85	5.9	7.0	6.6
	100	2.1	2.4	2.4
	Age	**Male**	**Female**	**Total**
2010*	Newborn	76.2	81.1	78.7
	1	75.7	80.5	78.2
	5	71.8	76.6	74.3
	15	61.9	66.7	64.4
	25	52.4	56.9	54.8
	35	43.1	47.2	45.3
	45	33.9	37.8	36.0
	55	25.4	28.8	27.2
	65	17.7	20.3	19.2
	75	11.0	12.9	12.2
	85	5.9	7.0	6.6
	100	2.1	2.4	2.4

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

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

*2010 data are preliminary.

Table 12.3

Mortality Tables

	2001 CSO Table				Individual Annuity 2000 Table[1]			
	Male		Female		Male		Female	
Age	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)
Newborn	1.0	76.6	0.5	80.8	—	—	—	—
1	0.6	75.7	0.4	79.9	—	—	—	—
2	0.4	74.7	0.3	78.9	—	—	—	—
3	0.3	73.8	0.2	77.9	—	—	—	—
4	0.2	72.8	0.2	76.9	—	—	—	—
5	0.2	71.8	0.2	76.0	0.3	76.6	0.2	80.7
6	0.2	70.8	0.2	75.0	0.3	75.6	0.1	79.7
7	0.2	69.8	0.2	74.0	0.3	74.7	0.1	78.7
8	0.2	68.8	0.2	73.0	0.3	73.7	0.1	77.7
9	0.2	67.9	0.2	72.0	0.3	72.7	0.1	76.7
10	0.2	66.9	0.2	71.0	0.4	71.7	0.1	75.7
11	0.3	65.9	0.2	70.0	0.4	70.8	0.1	74.7
12	0.3	64.9	0.3	69.1	0.4	69.8	0.1	73.7
13	0.4	63.9	0.3	68.1	0.4	68.8	0.2	72.8
14	0.5	63.0	0.3	67.1	0.4	67.8	0.2	71.8
15	0.6	62.0	0.4	66.1	0.4	66.9	0.2	70.8
16	0.7	61.0	0.4	65.1	0.4	65.9	0.2	69.8
17	0.9	60.1	0.4	64.2	0.4	64.9	0.2	68.8
18	0.9	59.1	0.4	63.2	0.5	63.9	0.2	67.8
19	1.0	58.2	0.5	62.2	0.5	63.0	0.2	66.8
20	1.0	57.2	0.5	61.3	0.5	62.0	0.3	65.9
21	1.0	56.3	0.5	60.3	0.5	61.0	0.3	64.9
22	1.0	55.3	0.5	59.3	0.5	60.1	0.3	63.9
23	1.0	54.4	0.5	58.3	0.6	59.1	0.3	62.9
24	1.1	53.5	0.5	57.4	0.6	58.1	0.3	61.9
25	1.1	52.5	0.5	56.4	0.6	57.2	0.3	60.9
26	1.1	51.6	0.6	55.4	0.6	56.2	0.3	60.0
27	1.2	50.6	0.6	54.5	0.7	55.2	0.4	59.0
28	1.2	49.7	0.6	53.5	0.7	54.3	0.4	58.0
29	1.2	48.7	0.7	52.5	0.7	53.3	0.4	57.0
30	1.1	47.8	0.7	51.6	0.7	52.3	0.4	56.0
31	1.1	46.8	0.7	50.6	0.7	51.4	0.4	55.1
32	1.1	45.9	0.8	49.6	0.7	50.4	0.4	54.1
33	1.2	45.0	0.8	48.7	0.7	49.5	0.4	53.1
34	1.2	44.0	0.9	47.7	0.7	48.5	0.4	52.1
35	1.2	43.1	1.0	46.8	0.7	47.5	0.5	51.2
36	1.3	42.1	1.0	45.8	0.7	46.6	0.5	50.2
37	1.3	41.2	1.1	44.8	0.7	45.6	0.5	49.2
38	1.4	40.2	1.2	43.9	0.8	44.6	0.5	48.2
39	1.5	39.3	1.2	42.9	0.9	43.7	0.6	47.3
40	1.7	38.3	1.3	42.0	1.0	42.7	0.6	46.3
41	1.8	37.4	1.4	41.1	1.1	41.7	0.7	45.3
42	2.0	36.5	1.5	40.1	1.2	40.8	0.7	44.3
43	2.2	35.5	1.6	39.2	1.4	39.8	0.8	43.4
44	2.4	34.6	1.7	38.2	1.5	38.9	0.9	42.4
45	2.7	33.7	1.9	37.3	1.8	37.9	0.9	41.4
46	2.9	32.8	2.1	36.4	2.0	37.0	1.0	40.5
47	3.2	31.9	2.3	35.4	2.2	36.1	1.1	39.5

Continued

Table 12.3

Mortality Tables—Continued

	2001 CSO Table				Individual Annuity 2000 Table[1]			
	Male		Female		Male		Female	
Age	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)
48	3.3	31.0	2.5	34.5	2.5	35.2	1.3	38.6
49	3.5	30.1	2.8	33.6	2.7	34.2	1.4	37.6
50	3.8	29.2	3.1	32.7	3.0	33.3	1.5	36.7
51	4.1	28.3	3.4	31.8	3.3	32.4	1.7	35.7
52	4.5	27.4	3.8	30.9	3.6	31.5	1.9	34.8
53	4.9	26.5	4.2	30.0	3.9	30.7	2.0	33.8
54	5.5	25.6	4.6	29.1	4.2	29.8	2.2	32.9
55	6.2	24.8	5.1	28.3	4.5	28.9	2.5	32.0
56	6.9	23.9	5.6	27.4	4.9	28.0	2.7	31.1
57	7.6	23.1	6.2	26.6	5.2	27.2	2.9	30.1
58	8.3	22.3	6.8	25.7	5.6	26.3	3.2	29.2
59	9.0	21.5	7.4	24.9	6.0	25.4	3.5	28.3
60	9.9	20.6	8.0	24.1	6.4	24.6	3.9	27.4
61	10.9	19.8	8.7	23.3	6.9	23.7	4.2	26.5
62	12.3	19.1	9.4	22.5	7.5	22.9	4.7	25.6
63	13.7	18.3	10.1	21.7	8.2	22.1	5.1	24.8
64	15.2	17.5	11.0	20.9	9.0	21.3	5.7	23.9
65	16.9	16.8	11.9	20.1	9.9	20.4	6.3	23.0
66	18.5	16.1	12.8	19.4	11.0	19.6	6.9	22.2
67	20.1	15.4	13.9	18.6	12.3	18.9	7.6	21.3
68	21.9	14.7	15.1	17.9	13.7	18.1	8.3	20.5
69	23.6	14.0	16.4	17.1	15.2	17.3	9.1	19.6
70	25.8	13.3	17.8	16.4	17.0	16.6	10.0	18.8
71	28.2	12.7	19.5	15.7	18.9	15.9	11.1	18.0
72	31.3	12.0	21.3	15.0	21.0	15.2	12.4	17.2
73	34.6	11.4	23.3	14.3	23.2	14.5	13.9	16.4
74	38.1	10.8	25.5	13.6	25.6	13.8	15.6	15.6
75	41.9	10.2	27.9	13.0	28.3	13.2	17.6	14.9
76	46.1	9.6	30.5	12.3	31.2	12.5	19.8	14.1
77	50.9	9.0	33.4	11.7	34.4	11.9	22.3	13.4
78	56.6	8.5	36.6	11.1	37.9	11.3	25.2	12.7
79	63.1	8.0	40.1	10.5	41.8	10.8	28.3	12.0
80	70.1	7.5	43.9	9.9	46.0	10.2	31.9	11.3
81	78.2	7.0	49.1	9.3	50.6	9.7	36.0	10.7
82	86.5	6.6	55.0	8.8	55.7	9.2	40.6	10.1
83	95.5	6.1	60.8	8.3	61.1	8.7	45.7	9.5
84	105.4	5.7	67.3	7.8	66.9	8.2	51.5	8.9
85	116.6	5.4	74.5	7.3	73.3	7.8	57.9	8.4
86	128.9	5.0	81.0	6.9	80.1	7.3	65.1	7.9
87	142.4	4.7	90.8	6.4	87.4	6.9	73.1	7.4
88	156.7	4.4	101.1	6.0	95.2	6.5	82.0	6.9
89	171.9	4.1	112.0	5.6	103.5	6.2	91.6	6.5
90	187.7	3.8	121.9	5.3	112.2	5.8	101.8	6.1
91	202.4	3.6	126.9	5.0	121.4	5.5	112.4	5.7
92	217.8	3.4	136.9	4.6	131.0	5.2	123.3	5.4
93	234.0	3.1	151.6	4.3	141.0	4.9	134.5	5.1
94	251.1	3.0	170.3	3.9	151.4	4.6	145.7	4.8
95	269.2	2.8	193.7	3.6	162.2	4.3	156.8	4.5

Continued

Table 12.3

Mortality Tables—Continued

	2001 CSO Table				Individual Annuity 2000 Table[1]			
	Male		Female		Male		Female	
Age	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)	Deaths per 1,000	Life expectancy (years)
96	285.6	2.6	215.7	3.4	173.3	4.1	167.8	4.2
97	303.2	2.5	238.5	3.2	184.7	3.8	178.6	4.0
98	321.9	2.3	242.2	3.0	196.9	3.6	189.6	3.8
99	341.9	2.2	255.2	2.8	210.5	3.4	201.6	3.5
100	363.2	2.1	275.7	2.6	225.8	3.1	215.0	3.3
101	380.1	2.0	297.8	2.4	243.4	2.9	230.6	3.0
102	398.1	1.9	322.2	2.2	263.7	2.7	248.8	2.8
103	417.2	1.8	349.1	2.1	287.3	2.4	270.3	2.6
104	437.6	1.7	378.6	1.9	314.6	2.2	295.7	2.3
105	459.2	1.6	410.6	1.7	346.2	2.0	325.6	2.1
106	482.2	1.5	443.3	1.6	382.4	1.8	360.5	1.9
107	506.7	1.4	476.9	1.5	423.8	1.6	401.1	1.7
108	532.7	1.3	510.7	1.4	470.9	1.4	447.9	1.5
109	560.3	1.2	545.8	1.3	524.1	1.3	501.5	1.3
110	589.6	1.1	581.8	1.2	584.0	1.1	562.6	1.2
111	620.8	1.1	616.3	1.1	651.0	1.0	631.6	1.0
112	653.8	1.0	649.9	1.0	725.6	0.8	709.3	0.9
113	688.9	0.9	680.4	0.9	808.3	0.7	796.2	0.7
114	726.2	0.9	723.4	0.9	899.6	0.6	892.9	0.6
115	765.7	0.8	763.4	0.8	1000.0	0.5	1000.0	0.5
116	807.6	0.7	804.9	0.7				
117	852.1	0.7	850.4	0.7				
118	899.2	0.6	892.4	0.6				
119	949.2	0.6	935.1	0.6				
120	1000.0	0.5	1000.0	0.5				

Source: National Association of Insurance Commissioners.

[1]Projected to 2000. Mortality rates are conservative in relation to the actual and projected experience on which they are based.

APPENDIX

A GLOSSARY OF INSURANCE-RELATED TERMS

(AS OF SEPTEMBER 2012)

A

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B

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

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

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

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

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

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

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

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

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

C

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

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

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

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

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

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

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

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

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

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

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

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

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

D

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E

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

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

Equity in investments The ownership interest of shareholders. In a corporation, stocks as opposed to bonds.

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

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

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

F

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

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

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

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

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

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

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

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

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

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

G

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

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

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

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

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

I

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

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

Individual life insurance Life insurance on a person with premiums payable annually, semiannually, quarterly, or monthly.

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

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

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

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

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

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

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

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

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

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

J

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

K

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

L

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

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

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

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

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

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

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

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

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

M

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

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

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

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

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

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

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

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

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

N

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

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

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

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

O

Operating expenses The cost of maintaining a business, including property, insurance, taxes, utilities and rent, but excludes income tax, depreciation, and other financing expenses.

Options Contracts that allow, but do not oblige, the buying or selling of assets at a certain date at a set price.

Ordinary life insurance A life insurance policy that remains in force for the insured's lifetime, usually for a level premium. Also referred to as whole life insurance. In contrast, term life insurance only lasts for a specified number of years (but may be renewable).

P

Paid-up insurance Insurance on which all required premiums have been paid; frequently refers to the reduced paid-up insurance available as a nonforfeiture option.

Partial disability benefit A benefit sometimes found in disability income policies providing payment of reduced monthly income if the insured cannot work full time or is unable to earn a specified percentage of predisability earnings due to a disability.

Participating policy A life insurance policy under which the company distributes to policyholders the part of its surplus that its board of directors determines is not needed at the end of the business year. Such a distribution reduces the premium that the policyholder had paid. See policy dividend and nonparticipating policy.

Pensions Programs to provide employees with retirement income after they meet minimum age and service requirements. Life insurers hold some of these funds. Over the last 25 years, the responsibility of funding these retirement accounts has shifted from the employers (who offered defined benefit plans promising a specific retirement income) to employees (who now have defined contribution plans that are financed by their own contributions and not always matched by employers).

Permanent life insurance Generally, insurance that can stay in force for the life of the insured and accrues cash value, such as whole life or endowment. May also be referred to as ordinary life insurance.

Policy The printed document that a company issues to the policyholder, which states the terms of the insurance contract.

Policy dividend A refund of part of the premium on a participating life insurance policy, reflecting the difference between the premium charged and actual experience.

Policyholder/Policy owner The owner of an insurance policy, who may be the insured, a relative of the insured such as a spouse, or a nonnatural person such as a partnership or corporation.

Policy illustration A depiction of how a life insurance policy will work, showing premiums, death benefits, cash values, and information about other factors that may affect policy costs.

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

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

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

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

Premium loan A policy loan for paying premiums.

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

Q

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

R

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

S

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

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

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

Standard risk A person possessing an average likelihood of loss.

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

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

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

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

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

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

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

T

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

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

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

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

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

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

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

U

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

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

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

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

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

V

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

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

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

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

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

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

W

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

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

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

B HISTORIC DATES
(AS OF SEPTEMBER 2012)

1759 The first life insurance company in the United States—The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers—is established in Philadelphia by the Synod of the Presbyterian Church.

1789 Professor Edward Wigglesworth of Harvard prepares a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the United States.

1794 The Insurance Company of North America is chartered as the first general insurance company to sell life insurance in America. In five years, only six policies are issued, and the company discontinues its life insurance business in 1804.

1812 The Pennsylvania Company for Insurance on Lives and Granting Annuities is incorporated, the first corporation to be organized in America solely for issuing life insurance policies and annuities. The first policy is issued in 1813. The company discontinues issuing life policies in 1872.

1830 New York Life Insurance and Trust Company, the first American life insurance company to employ agents, is started. The company later discontinues its life insurance business and subsequently is merged with the Bank of New York.

1835 A charter is granted to New England Mutual Life Insurance Company of Boston—the first to a mutual company in America. The company begins operating in December 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia is established on the new principle of granting policyholders participation in profits. The first policy dividends are allotted in 1844 as additions of insurance to policies in force three or more years. Initially a stock company, the insurer later becomes a trust company.

1840 The New York Legislature passes a bill providing that the proceeds of a policy made out to a widow as beneficiary must be paid to her, exempt from creditors' claims. Enacted into law, this measure strengthens the protective power of life insurance policies.

1842 The Mutual Life Insurance Company of New York is chartered. The company's first policy is issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 The first policy loans are granted.

1849 New York passes the first general insurance law.

1851 New Hampshire establishes the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which Elizur Wright developed over nine years, are published.

1857 New York City establishes a pension fund for its policemen, the first pension plan covering state or local government employees.

1859 New York establishes the first state insurance department.

1861 Massachusetts is the first state to require nonforfeiture values as part of life policies.

The first war risk insurance is written by life insurance companies during the Civil War.

1864 The Manhattan Life Insurance Company is the first U.S. company to write an incontestable clause into a policy.

1868 The American Experience Table of Mortality is published as part of a New York law. Covering experience from 1843 to 1858, it remains the table most widely used by American companies until the 1940s.

1869 The U.S. Supreme Court holds insurance not to be a transaction in commerce, and affirms the validity of state regulation of insurance.

The earliest organization of life insurance agents is recorded in Chicago.

1871 The first convention of state insurance commissioners is held in New York City.

1873 The first weekly premium policy is issued in the United States.

1875 The industrial insurance agency system is introduced in the United States.

The first pension plan in U.S. industry is established by the American Express Company, financed solely by the employer.

1880 The first formal pension plan supported jointly by employer and employee contributions is established by the Baltimore & Ohio Railroad Company.

Cash surrender values are first established by law in Massachusetts.

1892 Columbia University adopts a pension plan for its professors, the first private college retirement plan, effective at age 65 with a minimum of 15 years' service.

1893 The first pension plan for public school teachers is established in Chicago.

1901 Carnegie Steel Company establishes the first enduring pension plan in a manufacturing company. This plan, with some modifications, is taken over by the United States Steel Company in 1911.

1905 The first functioning trade union pension plan is established by the Granite Cutters. Earlier trade union plans, set up by the Pattern Makers (1900) and National Association of Letter Carriers (1902), never paid benefits before dissolution.

The Armstrong investigation of life insurance by the New York Legislature results in many changes in insurance laws.

1911 The first group life insurance for employees is introduced.

1917 Government-sponsored life insurance for World War I servicemen is offered under the War Risk Insurance Act. This program subsequently becomes known as U.S. Government Life Insurance.

1920 Congress creates the Federal Civil Service Retirement and Disability Fund.

1921 Metropolitan Life Insurance Company issues the first group annuity contract in the United States.

The Revenue Act makes employer contributions to profit-sharing trusts tax-exempt. Its provisions are extended to pension trusts in 1926.

1928 The first examinations are held for chartered life underwriters.

1935 The Social Security Act is enacted.

The Railroad Retirement System is established. It is amended in 1937 to create a unified system for the industry.

1939 The temporary National Economic Committee begins an investigation of the life insurance business.

1940 Congress adopts the National Service Life Insurance Act, providing insurance for men and women in service in World War II.

1941 New York forms the first state guaranty association mechanism for life and health insurance companies.

1944 The U.S. Supreme Court holds that insurance is commerce, and that when conducted across state lines, it is interstate commerce and subject to federal laws.

1945 The McCarran-Ferguson Act declares that state regulation of insurance is in the public interest and grants an exemption from antitrust laws to the extent that the business is regulated by state law.

1949 The U.S. Supreme Court rules that employers are required to bargain on pensions.

1952 The College Retirement Equities Fund is established as the first variable annuity fund.

1954 The Participating Annuity Life Insurance Company offers the first variable annuity contracts to the general public.

The Federal Employees' Group Life Insurance Act is introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the U.S. government through private insurance companies.

1959 Arkansas is the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.

Early 1960s Most states now have laws specifically allowing life insurance companies to maintain separate accounts, freeing pension fund investments from some of the limitations applied to companies' general accounts.

1962 H.R. 10 (Keogh Act), officially known as the Self-Employed Individual Retirement Act, is adopted.

1963–64 The Securities and Exchange Commission rules that separate account acquisitions are an issuance of securities subject to regulation under the Securities Act, but tax-qualified group pension plans, including variable annuities, are exempted from the act's registration and prospectus requirements.

1965 The Servicemen's Group Life Insurance Act is introduced, providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.

1974 The Employee Retirement Income Security Act (ERISA) is signed into law. ERISA primarily protects the benefits of participants in private plans, assures reasonable vesting provisions, and broadens the opportunity to set up plans for the self-employed and workers who have no private retirement plans.

1976 The first individual variable life insurance policy is issued in the United States.

1977 The first universal life insurance policy is issued in the United States.

1978 The Age Discrimination in Employment Act Amendments raise the mandatory retirement age from 65 to 70 for most private-sector and state and local government employees, and eliminate it for federal employees.

1981 The Economic Recovery Tax Act is signed into law. It allows all workers to claim tax deductions, within limits, for retirement savings; liberalizes tax deductions for retirement savings, interest, and dividend exclusions; and reduces or eliminates estate and gift taxes for most individuals.

1982 The Tax Equity and Fiscal Responsibility Act revises the life insurance company taxation formula and repeals the use of modified coinsurance in tax calculations; imposes a penalty tax on certain annuity withdrawals; places limitations on pension plan benefits; and imposes additional restrictions on certain plans.

1983 The U.S. Supreme Court decides in *Arizona Governing Committee for Tax-Deferred Annuity and Deferred Compensation Plans v. Norris* that employee retirement benefits based on contributions made after August 1, 1983, must be calculated without regard to the employee's gender.

The Social Security Amendments increase Social Security taxes and make a portion of Social Security benefits taxable for high-income retirees; limit cost-of-living adjustments under some circumstances; make new federal employees, members of Congress, the president, and other federal officials subject to Social Security taxes; and gradually increase the retirement age to 67 by 2027.

1984 The Retirement Equity Act lowers the minimum age for vesting and participation in retirement plans; requires the spouse's written consent before joint and survivor coverage may be waived under pension plans; and requires payment of a survivor annuity if a vested participant dies before the annuity's starting date.

The Tax Reform Act significantly changes the basis on which life insurance companies are taxed and includes universal life insurance within the definition of life insurance, preserving its positive tax treatment.

1985 Montana becomes the first state to forbid gender discrimination in the setting of premium rates for all types of insurance, effective October 1.

1986 The Tax Reform Act eliminates the tax deductibility of individual retirement account (IRA) contributions for highly paid persons covered by pension plans; reduces the maximum contribution to salary reduction [401(k)] plans; and limits the deductibility of interest paid on loans against corporate-owned life insurance policies.

1987 The Revenue Act establishes faster funding requirements for underfunded pension plans, a variable-rate Pension Benefit Guaranty Corp. premium, and a lower full-funding limitation for qualified plans.

1988 The Technical and Miscellaneous Revenue Act creates a new class of life insurance contract—in which policy loans and surrender payments are subject to taxation similar to that of deferred annuities—and increases the excise tax on excess pension assets upon termination of qualified plans.

1990 A significant federal tax is imposed on life insurers' deferred acquisition costs. It becomes known as the DAC tax.

1991 All 50 states and Puerto Rico now have life and health insurance company guaranty association mechanisms.

1993 The Omnibus Budget Reconciliation Act reduces the amount of annual compensation for calculating retirement benefits to $150,000 from $235,840.

In *John Hancock v. Harris Trust and Savings Bank,* the U.S. Supreme Court rules that certain assets in John Hancock Life Insurance Company's general account are "plan assets" and that the company's actions regarding their management and disposition must be judged against ERISA's fiduciary standards.

1995 In *NationsBank v. Variable Annuity Life Insurance Company,* the U.S. Supreme Court rules that annuities are not a form of insurance under the National Bank Act, effectively allowing national banks to sell annuities without limitation.

The Internal Revenue Service states in proposed regulations that bank-issued, hybrid CD-annuities are taxable to purchasers.

1996 The Small Business Job Protection Act (SBA) amends ERISA to clarify the U.S. Supreme Court's decision in John Hancock v. Harris Trust and Savings Bank and protect insurers from lawsuits brought for past actions taken in good-faith reliance on government rules. SBA also contains a wide variety of pension simplification provisions and creates a new SIMPLE plan for small employers.

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

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

The Savings Are Vital to Everyone's Retirement Act directs the U.S. Department of Labor to maintain an ongoing program of public information and outreach to promote retirement savings.

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

The mutual insurance holding company becomes an increasingly popular option to total demutualization. It allows mutual insurers to reorganize into a holding company and a wholly owned stock subsidiary or an intermediate stock holding company, and more easily obtain capital through an initial public offering.

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

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

The National Association of Insurance Commissioners (NAIC) amends life risk-based capital requirements for modified coinsurance reinsurance transactions, allowing life insurers and reinsurers to more accurately reflect risk exposure. ACLI and state regulators also complete years of negotiations over the content and application of informal guiding principles for regulators evaluating reinsurance transactions.

The Internal Revenue Service issues an updated mortality table that lowers the tax rate for group term life insurance. New IRS rules also permit the conversion of traditional IRA annuities to Roth annuities without the insurer issuing a new contract, reducing policyholder costs and administrative burdens.

2000 The Long-Term Care Security Act is signed into law, allowing current and retired federal employees and active and retired military personnel, as well as their families, to obtain long-term care insurance as a self-funded benefit.

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

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

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

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

2002 The Victims of Terrorism Tax Relief Act is enacted, protecting life insurers that issue structured settlement annuities from adverse tax treatment when a beneficiary transfers the stream of income from such an annuity to a third party.

Tax deferral for investment income of foreign life insurance subsidiaries (Subpart F) is extended for five years and Section 809 of the Internal Revenue Code (the mutual company add-on tax) is suspended for three years as part of an economic stimulus package that is signed into law.

Congress approves trade promotion authority for the president, helping to expand international markets for life insurers by authorizing negotiation of trade deals that Congress can approve or reject but not amend.

NAIC adopts updated mortality tables on which life insurance valuation is based, reflecting Americans' greater longevity and reducing insurers' reserve requirements. Upon adoption in the states, the 2001 CSO tables will replace a version in effect since 1980.

2003 NAIC revises the Standard Nonforfeiture Law for Individual Deferred Annuities to permit use of an indexed interest rate during low-interest-rate economic periods, eliminating the need for state legislatures to reactively approve rate modifications each year. The law replaces the fixed 3 percent minimum nonforfeiture interest rate with one based on the five-year Constant Maturity Treasury Rate and capped at 3 percent.

Congress passes and the President signs into law H.R. 2738, the U.S.-Chile Free Trade Agreement, and H.R. 2739, the U.S.-Singapore Free Trade Agreement. The agreements, set to take effect January 1, 2004, establish free trade accords with both countries for the first time. They provide access to these markets for U.S. insurance, pension, and retirement security providers.

NAIC adopts the Senior Protection in Annuity Transactions Model Law.

Congress approves legislation that makes permanent a number of preemptions in the Fair Credit Reporting Act (FCRA). These include provisions on information sharing among affiliates, prescreening, and access and correction. The bill also contains measures protecting insurance-related uses of medical information.

2004 IRS issues Notice 2004-15, which provides guidance regarding distributions from nonqualified annuities. Under the new guidance, policyholders of nonqualified annuities will have more flexibility in taking distributions without incurring additional taxes.

Congress passes and the President signs the Pension Funding Equity Act of 2004. The bill establishes a two-year temporary replacement for the 30-year Treasury interest rate and becomes effective January 1, 2005. Included in the bill is a permanent repeal of section 809 of the tax code, which affects mutual life insurance companies.

2005 Commissioners' 2001 Standard Ordinary Mortality Tables, (2001 CSO Tables), which had been previously adopted by the NAIC, were adopted by a majority of the states, thus putting them in effect for state regulatory purposes. These new tables replace the 1980 CSO Tables.

2006 Interstate Insurance Product Regulation Compact Commission was created to develop uniform standards for insurance products, to provide a central clearing house for regulatory review and to enhance cooperation and coordinate efforts between state insurance departments.

Pension Protection Act of 2006 was signed into law by President Bush, strengthening the federal pension insurance system and expanding opportunities for Americans to achieve a secure retirement. The legislation makes permanent increased contribution limits to 401(k)s and IRAS; establishes defined-contribution auto-enrollment; encourages annuities as payout options in employer-sponsored retirement plans; and permits the combination of long-term care insurance and annuities.

National Insurance Act of 2006, creating an "optional federal charter regulatory system" for insurers, was introduced in the Senate. This legislation would allow insurers and insurance producers, agents and brokers to elect federal or state regulation, charters and licenses.

2007 National Insurance Act of 2007 was reintroduced in the Senate and HR 3200, a companion bill was introduced in the House. This legislation allows for an "optional federal charter" for insurers.

2008 The United States Treasury Department recommends creating an optional federal charter for insurance regulation, citing benefits of reduced regulatory costs and enhanced marketplace competition.

Iowa becomes the first state in the nation to participate in an industry-initiated project aimed at providing better, more understandable disclosure of features, fees and charges relating to fixed and indexed annuities.

Twelve states approve legislation to protect senior citizens from stranger-originated life insurance (STOLI) in which financial speculators misuse life insurance in order to profit from seniors' deaths.

Interstate Insurance Product Regulation Commission has 33 states participating, representing over 50% of the insurance premiums for life, annuities, disability income and long term care insurance products. The Commission has reviewed its 100th filing, and the following standards are available for filing with the IIPRC: 34 individual life standards and 9 annuity standards that include all the variable and non-variable, deferred and immediate, products. There are 13 rules adopted.

Long Term Care Partnership Programs. Since the enactment of the Deficit Reduction Act in 2005, 19 states have implemented programs and 8 are poised to become operational by the end of the year. As a by–product of implementation, the states that never adopted the 2000 and 2006 updates to the NAIC Model Act and Regulation have now done so.

2009 Sixteen more states approve legislation to protect senior citizens from stranger-originated life insurance (STOLI) in which financial speculators misuse life insurance in order to profit from seniors' deaths. In all, anti-STOLI legislation has been enacted in 28 states.

Congress works through late 2009 (and at 2009 Fact Book deadline) on financial services reform, including life insurers and producers in various proposals. One proposal would establish an insurance office within Treasury Department that would collect insurance data, advise Treasury on insurance matters and negotiate international regulatory agreements.

Three more states join the Interstate Compact Commission. Thirty six states in all participate in the state-based effort to speed product approvals.

Six more states establish Long-Term Care Partnerships, with 31 in all participating in the public-private program designed to help states save on Medicaid expenses by encouraging people to use long-term care insurance to cover at least some of their long-term care needs.

As part of the effort to modernize insurer reserve requirements, the NAIC passes its revised Model Standard Valuation Law, a model law designed to guide states on the minimum reserves needed for life policies and annuity contracts. The new model law is needed to adopt a principle-based reserve system, and allows the NAIC to maintain a Valuation Manual (yet to be completed) that includes the valuation methodologies for all life and health insurance products.

As a precursor to the implementation of principle-based reserves, and in reaction to the financial crisis, the NAIC and the individual states make adjustments to certain minimum reserve, risk-based capital, and accounting requirements.

2010 The Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) is signed into law creating a new Federal Insurance Office within the Department of Treasury. The Federal Insurance Office will be responsible for understanding and advising Congress and the administration on insurance-related issues and helping negotiate international regulatory equivalency agreements.

2011 Illinois Insurance Director Michael McRaith is appointed the first director of the new Federal Office of Insurance (FIO) created by the Dodd-Frank Act. He will report to and advise the Secretary of Treasury on all life insurance matters.

2012 The Supreme Court upholds the health care reform law, its mandate for individual health care coverage and most of its other provisions. By this decision, the Court removed major uncertainties regarding health care reform in the U.S.

The Federal Insurance Office (FIO) establishes the Federal Advisory Committee on Insurance (FACI), a fifteen member board tasked with advising the FIO Director on emerging insurance issues. The FACI convenes its first public meeting in March.

C

LIFE INSURANCE RELATED ORGANIZATIONS

(AS OF OCTOBER 2012)

■ America's Health Insurance Plans (AHIP)

601 Pennsylvania Avenue, NW
South Building, Suite 500
Washington, DC 20004
(202) 778–3200
www.ahip.org
Chairman: Eric H. Schultz
President & CEO: Karen Ignagni

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

■ American Academy of Actuaries

1850 M Street, NW, Suite 300
Washington, DC 20036
(202) 223–8196
www.actuary.org
President: David K. Sandberg
Executive Director: Mary Downs

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

■ The American College

270 S. Bryn Mawr Avenue
Bryn Mawr, PA 19010
(610) 526–1000
www.theamericancollege.edu
President and Chief Executive Officer: Laurence Barton

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

■ American Council of Life Insurers (ACLI)

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

Chairman: James T. Morris (Pacific Life Insurance Company) (thru October 2013)

Chairman-Elect: John D. Johns (Protective Life Corporation)
President and Chief Executive Officer: Dirk A. Kempthorne

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI advocates in federal, state and international forums. Its members represent more than 90 percent of the assets and premiums of the U.S. life insurance and annuity industry. In addition to life insurance, annuities and other workplace and individual retirement plans, ACLI members offer long-term care and disability income insurance, and reinsurance.

■ American Fraternal Alliance (AFA)

1301 West 22nd Street, Suite 700
Oak Brook, IL 60523
(630) 522–6322
www.fraternalalliance.org
Chairman: Joseph Gadbois
Vice-Chair: William B. McKinney

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

■ American Risk and Insurance Association (ARIA)

716 Providence Road
Malvern, PA 19355–3402
(610) 640–1997
www.aria.org
President: George Zanjani
President-Elect: Laureen Regan

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

■ American Society of Pension Professionals & Actuaries (ASPPA)

4245 N. Fairfax Drive, Suite 750
Arlington, VA 22203
(703) 516–9300
www.asppa.org
President: Robert M. Richter
President-Elect: Barry Max Levy

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

■ **Association of Home Office Underwriters (AHOU)**
2300 Windy Ridge Parkway, Suite 600
Atlanta, GA 30339
(770) 984–3715
www.ahou.org
President: Deborah Schmidt
Executive Vice President: Lee Janecek

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

■ **Conference of Consulting Actuaries**
3880 Salem Lake Drive, Suite H
Long Grove, IL 60047–5292
(847) 719–6500
www.ccactuaries.org
President: Dale H. Yamamoto
President-Elect: Patricia A. Rotello

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

■ **Consumer Credit Industry Association (CCIA)**
6300 Powers Ferry Road, Suite 600-286
Atlanta, GA 30339
(678) 858–4001
www.cciaonline.com
Chair: Tim Kovac
President: Kris Nelson

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

■ **Financial Services Roundtable**
1001 Pennsylvania Avenue, NW, Suite 500 South
Washington, DC 20004
(202) 289–4322
www.fsround.org
President and CEO: Steve Bartlett

The roundtable is a forum for financial industry leaders to share information and inform public policy with matters relating to the financial services industry.

■ **The Griffith Insurance Education Foundation**
623 High Street
Worthington, Ohio 43085
(614) 880–9870
www.griffithfoundation.org
Chairman: Michael FusselBaugh

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

■ **Health Insurance Association of America (HIAA)**
See America's Health Insurance Plans (AHIP).

■ **Insurance and Financial Communicators Association (IFCA)**
1418 N. Scottsdale Road, #235
Scottsdale, AZ 85257
(602) 350-0717
www.ifcaonline.com
President: Thomas Zimmermann
Vice President: Susan O'Neill

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

■ **Insurance Accounting and Systems Association (IASA)**
IASA International Office
3511 Shannon Road, Suite 160
Durham, NC 27707
(919) 489–0991
www.iasa.org
President: Louise Ziemann

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

■ **Insurance Information Institute (III)**
110 William Street
New York, NY 10038
(212) 346–5500
www.iii.org
President: Robert P. Hartwig

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

■ Insured Retirement Institute (IRI)

1101 New York Avenue, NW, Suite 825
Washington, DC 20005
(202) 469-3000
www.irionline.org
President and CEO: Catherine J. Weatherford

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

■ International Claim Association (ICA)

1155 15th Street, NW, Suite 500
Washington, DC 20005
Phone: (202) 452–0143
www.claim.org
President: Antoinette Mortensen
President-Elect: Doris Erdman

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

■ Life Communicators Association

See Insurance and Financial Communicators Association (IFCA).

■ Life Insurers Council (LIC)

2300 Windy Ridge Parkway, Suite 600
Atlanta, GA 30339
(770) 984–3724
www.loma.org
Executive Director: Jeffrey S. Shaw

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

■ LIMRA International, Inc.

300 Day Hill Road
Windsor, CT 06095–4761
Headquarters: (860) 688–3358
Customer Service: (800) 235–4672 (North America)
www.limra.com
President and Chief Executive Officer: Robert A. Kerzner

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

■ LOMA (Life Office Management Association)

2300 Windy Ridge Parkway, Suite 600
Atlanta, GA 30339–8443
(770) 951–1770
www.loma.org
President and Chief Executive Officer: Robert A. Kerzner

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

■ MIB Group, Inc.

50 Braintree Hill Park, Suite 400
Braintree, MA 02184–8734
(781) 751-6000
www.mib.com
Chairman: Timothy A. Walsh
President & CEO: Lee B. Oliphant

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

■ MDRT

325 W. Touhy Avenue
Park Ridge, IL 60068–4265
(847) 692–6378
www.mdrt.org
President: D. Scott Brennan
First Vice President: Michelle L. Hoesly

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

■ National Association of Insurance Commissioners (NAIC)

1100 Walnut Street, Suite 1500
Kansas City, MO 64106–2197
(816) 842–3600
www.naic.org
President: Kevin M. McCarty

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

■ National Association of Insurance and Financial Advisors (NAIFA)

2901 Telestar Court
Falls Church, VA 22042–1205
(877) 866–2432
www.naifa.org
President: Robert O. Smith, LUTCF, LIC, FSS
Chief Executive Officer: Susan B. Waters, DM, CAE

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

■ National Association for Variable Annuities (NAVA)

See Insured Retirement Institute (IRI)

■ National Fraternal Congress of America (NFCA)

See American Fraternal Alliance (AFA)

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

13873 Park Center Road, Suite 329
Herndon, VA 20171
(703) 481–5206
www.nolhga.com
Chairman: Thomas M. Ronce
Vice-Chair: George Nichols, III

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

■ Society of Actuaries (SOA)

475 N. Martingale Road, Suite 600
Schaumburg, IL 60173
(847) 706–3500
www.soa.org
President: Tonya B. Manning

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

■ Society of Financial Service Professionals (SFSP)

19 Campus Boulevard, Suite 100
Newtown Square, PA 19073–3239
(610) 526–2500
www.financialpro.org
President: April Caudill
President-Elect: James B. Lammers

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

■ S.S. Huebner Foundation for Insurance Education

Wharton School of the University of Pennsylvania
3000 Steinberg-Dietrich Hall
3620 Locust Walk
Philadelphia, PA 19104–6302
(215) 898–9631
www.huebnergeneva.org
Executive Director: Kent Smetters

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

D STATE INSURANCE OFFICIALS
(AS OF OCTOBER 2012)

■ **Alabama**
Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
P.O. Box 303351
Montgomery, AL 36130–3551
(334) 269–3550
www.aldoi.gov

■ **Alaska**
Bret S. Kolb
Director Insurance
Department of Community and Economic Development
Alaska Division of Insurance
9th Floor State Office Building
333 Willoughby Avenue
Juneau, AK 99811
(907) 465–2515
www.commerce.state.ak.us/insurance

■ **Arizona**
Germaine L. Marks
Acting Director of Insurance
Arizona Department of Insurance
2910 N. 44th Street, Suite 210
Phoenix, AZ 85018–7269
(602) 364–3100
www.id.state.az.us

■ **Arkansas**
Jay Bradford
Insurance Commissioner
Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904
(501) 371–2600
www.state.ar.us/insurance

■ **California**
Dave Jones
Insurance Commissioner
California Department of Insurance
Consumer Services Division
300 Capitol Mall, Suite 1600
Sacramento, CA 95814
(916) 492–3545
www.insurance.ca.gov

■ **Colorado**
Jim Riesberg
Insurance Commissioner
Colorado Division of Insurance
1560 Broadway, Suite 850
Denver, CO 80202
(303) 894–7490
www.dora.state.co.us/insurance

■ **Connecticut**
Thomas B. Leonardi
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 7th Floor
Hartford, CT 06103
(860) 297–3900
www.ct.gov/cid

■ **Delaware**
Karen Weldin Stewart
Insurance Commissioner
State of Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, DE 19904
(302) 674–7300
www.delawareinsurance.gov

District of Columbia
William P. White
Commissioner
Government of the District of Columbia
Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC, 20002
(202) 727–8000
www.disb.dc.gov

Florida
Kevin M. McCarty
Commissioner
Florida Office of Insurance Regulation
The Larson Building
200 East Gaines Street
Tallahassee, FL 32399
(850) 413–3140
www.floir.com

Georgia
Ralph T. Hudgens
Insurance Commissioner
Office of Insurance and Safety Fire Commissioner
Two Martin Luther King, Jr. Drive
West Tower, Suite 704
Atlanta, GA 30334
(404) 656–2070
www.oci.ga.gov

Hawaii
Gordon I. Ito
Insurance Commissioner
Hawaii Insurance Division
King Kalakaua Building
335 Merchant Street, Room 213
Honolulu, HI 96813
(808) 586–2790
www.hawaii.gov/dcca/ins

Idaho
William W. Deal
Director of Insurance
Idaho Department of Insurance
700 West State Street
P.O. Box 83720
Boise, ID 83720
(208) 334–4250
www.doi.idaho.gov

Illinois
Andrew Boron
Director of Insurance
Illinois Department of Insurance
320 W. Washington Street
Springfield, IL 62767
(217) 782–4515
www.insurance.illinois.gov

Indiana
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, IN 46204–2787
(317) 232–2385
www.in.gov/idoi

Iowa
Susan E. Voss
Insurance Commissioner
Iowa Insurance Division
330 Maple Street
Des Moines, IA 50319–0065
(515) 281–5705
www.iid.state.ia.us

Kansas
Sandy Praeger
Insurance Commissioner
Kansas Insurance Department
420 SW 9th Street
Topeka, KS 66612–1678
(785) 296–3071
www.ksinsurance.org

Kentucky
Sharon P. Clark
Insurance Commissioner
Kentucky Department of Insurance
215 W. Main Street
Frankfort, KY 40601
(502) 564–3630
http://insurance.ky.gov

Louisiana
James J. Donelon
Commissioner of Insurance
Louisiana Department of Insurance
1702 N. 3rd Street
Baton Rouge, LA 70802
(225) 342–5900
www.ldi.la.gov

■ **Maine**
Eric Cioppa
Superintendent of the Bureau of Insurance
Maine Department of Professional & Financial Regulation
34 State House Station
Augusta, ME 04333-0034
(207) 624–8475
www.maine.gov/pfr/insurance

■ **Maryland**
Therese M. Goldsmith
Insurance Commissioner
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, MD 21202
(410) 468–2000
www.mdinsurance.state.md.us

■ **Massachusetts**
Joseph G. Murphy
Commissioner of the Division of Insurance
Massachusetts Office of Consumer Affairs and Business Regulation
1000 Washington Street, Suite 810
Boston, MA 02118-2218
(617) 521–7794
www.state.ma.us/doi

■ **Michigan**
Kevin Clinton
Commissioner of Insurance
Michigan Office of Financial and Insurance Regulation
Ottawa Building, 3rd Floor
611 W. Ottawa Street
Lansing, MI 48933–1070
(517) 373–0220
www.michigan.gov/ofir

■ **Minnesota**
Mike Rothman
Commissioner
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 296–4026
www.mn.gov/commerce/insurance

■ **Mississippi**
Mike Chaney
Commissioner of Insurance and State Fire Marshall
Mississippi Insurance Department
1001 Woolfolk State Office Building
501 N. West Street
Jackson, MS 39201
(601) 359–3569
www.mid.state.ms.us

■ **Missouri**
John M. Huff
Director of Insurance
Missouri Department of Insurance, Financial Institutions & Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101
(573) 751–4126
www.insurance.mo.gov

■ **Montana**
Monica J. Lindeen
Commissioner of Securities and Insurance
Montana State Auditor's Office
840 Helena Avenue
Helena, MT 59601
(406) 444–2040
www.csi.mt.gov

■ **Nebraska**
Bruce R. Ramge
Director of Insurance
Nebraska Department of Insurance
Terminal Building
941 O Street, Suite 400
Lincoln, NE 68508-3639
(402) 471–2201
www.doi.ne.gov

■ **Nevada**
Scott J. Kipper
Commissioner of Insurance
Nevada Division of Insurance
1818 East College Parkway, Suite 103
Carson City, NV 89706
(775) 687–0700
www.doi.nv.gov

■ **New Hampshire**
Roger A. Sevigny
Insurance Commissioner
New Hampshire Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301
(603) 271–2261
www.nh.gov/insurance

■ **New Jersey**
Kenneth E. Kobylowski
Acting Commissioner of Insurance
New Jersey Department of Banking and Insurance
20 West State Street
P.O. Box 325
Trenton, NJ 08625-0325
(609) 292–7272
www.state.nj.us/dobi

■ **New Mexico**
John G. Franchini
Superintendent of Insurance
New Mexico Public Regulation Commission, Division of Insurance
P.E.R.A. Building, 4th Floor
1120 Paseo de Peralta
Santa Fe, NM 87501
(505) 827–4601
www.nmprc.state.nm.us/id.htm

■ **New York**
Benjamin M. Lawsky
Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004
(212) 480–2301
www.ins.state.ny.us

■ **North Carolina**
Wayne Goodman
Commissioner of Insurance
North Carolina Department of Insurance
1201 Mail Service Center
Raleigh, NC 27699–1201
(919) 807-6750
www.ncdoi.com

■ **North Dakota**
Adam W. Hamm
Insurance Commissioner
North Dakota Insurance Department
State Capitol, Fifth Floor
600 East Boulevard Avenue
Bismarck, ND 58505–0320
(701) 328–2440
www.nd.gov/ndins

■ **Ohio**
Mary Taylor
Director of Insurance
Ohio Department of Insurance
50 W. Town Street
Third Floor, Suite 300
Columbus, OH 43215
(614) 644–2658
www.insurance.ohio.gov

■ **Oklahoma**
John D. Doak
Insurance Commissioner
Oklahoma Insurance Department
5 Corporate Plaza
3625 N.W. 56th Street, Suite 100
Oklahoma City, OK 73112
(405) 521–2828
www.ok.gov/oid

■ **Oregon**
Louis D. Savage
Insurance Administrator
Oregon Insurance Division
350 Winter Street, NE, Room 440
Salem, OR 97301-3883
(503) 947–7984
www.insurance.oregon.gov

■ **Pennsylvania**
Michael F. Consedine
Insurance Commissioner
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120
(717) 787-2317
www.ins.state.pa.us

■ **Rhode Island**
Joseph Torti, III
Superintendent of Insurance
Rhode Island Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Bldg. 69-2
Cranston, RI 02920
(401) 462–9500
www.dbr.state.ri.us/divisions/insurance

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