AMERICAN COUNCIL OF LIFE INSURERS

2013 LIFE INSURERS FACT BOOK

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LIFE INSURERS

FACT BOOK 2013

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

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PREFACE

The *Life Insurers Fact Book*, the annual statistical report of the American Council of Life Insurers (ACLI), provides information on trends and statistics about the life insurance industry. ACLI represents 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) 2012 statutory data for the life industry as of June 2013, 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.

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Andrew Melnyk, Ph.D.
Vice President, Research

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* are reported in standardized tables that summarize information for the current year (2012 data), last year (2011 data), and 10 years previous (2002 data), along with the average annual percentage change over the last year and the last ten years. In cases where 2002 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

	2002	2011	2012	Average annual percent change 2002/2012	Average annual percent change 2011/2012
Life insurance in force (millions)[1]					
Individual	$9,311,729	$10,993,501	$11,215,136	1.9	2.0
Credit	6,876,075	8,119,879	8,011,839	1.5	-1.3
Group	158,534	105,685	93,940	-5.1	-11.1
Total	16,346,338	19,219,065	19,320,916	1.7	0.5
Annuity considerations (millions)[2]					
Individual[3]	$168,434	$217,837	$189,258	1.2	-13.1
Group	100,862	117,058	158,837	4.6	35.7
Total	269,296	334,895	348,095	2.6	3.9
Payments under life insurance and annuity contracts (millions)					
Payments to beneficiaries	$48,166	$62,132	$63,259	2.8	1.8
Surrenders values[4]	175,857	239,677	248,322	3.5	3.6
Policyholder dividends	21,033	15,547	15,530	-3.0	-0.1
Annuity payments[5]	54,950	74,518	74,039	3.0	-0.6
Matured endowments	621	606	442	-3.3	-27.2
Other payments[6]	649	676	612	-0.6	-9.4
Total	301,276	393,156	402,204	2.9	2.3
Income of life insurers (millions)					
Life insurance premiums	$134,483	$127,455	$135,392	0.1	6.2
Annuity considerations[2]	269,296	334,895	348,095	2.6	3.9
Health insurance premiums	108,703	171,647	172,300	4.7	0.4
Total	512,482	633,997	655,788	2.5	3.4
Investment income	180,855	221,007	228,084	2.3	3.2
Other income[7]	40,676	60,332	68,483	5.3	13.5
Aggregate total	734,013	915,336	952,355	2.6	4.0
Life insurers doing business in the United States (units)					
Stock	956	687	660	-3.6	-3.9
Mutual[8]	204	117	120	-5.2	2.6
Fraternal[9]	114	85	82	-3.2	-3.5
Other[10]	10	6	6	-5.0	0.0
Total	1,284	895	868	-3.8	-3.0

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.

[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 2011 and 2012, 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 2012, 868 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—660, 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 2012 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 2012, there were 82 fraternal life insurance companies that had $326 billion of life insurance in force and $133 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 2012 (Table 1.3). U.S. Government Life Insurance, covering World War I veterans, had $5 million of insurance in force in 2012, while National Service Life Insurance, for veterans of World War II and those covered by the Insurance Act of 1951, totaled $7 billion. Service-Disabled Veterans Insurance—for veterans separated from service after April 1951 who have a service-connected disability but are otherwise insurable—had $2.5 billion of insurance in force in 2012.

The largest life insurance plan, Servicemembers' Group Life Insurance, had $889 billion of insurance in force with 2.4 million policies at year-end 2012 (Table 1.3).

EMPLOYMENT

The insurance industry plays an important role in the nation's economy. In 2012, 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 2012 show 1.4 million insurance home-office personnel (346,100 in life insurance) and 912,300 insurance agents, brokers, and service personnel.

FOREIGN OWNERSHIP

The proportion of life insurance companies operating in the United States that are foreign-owned was 11.4 percent in 2012 (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 2012, Canada controlled 25 companies; Switzerland, 15; the Netherlands, 13; Bermuda, 9; Germany, 8; France, 8; 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
	2011	**2012**	**2011/2012**
Stock	687	660	-3.9
Mutual[1]	117	120	2.6
Fraternal[2]	85	82	-3.5
Other[3]	6	6	0.0
Total	895	868	-3.0

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.
[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, 2012 (millions)

	Stock	Mutual[1]	Fraternal	Other[2]	Total
Life insurance in force	$13,742,216	$5,094,851	$326,183	$157,667	$19,320,916
Life insurance purchased	2,039,778	764,144	30,548	22,476	2,856,945
Assets	4,402,993	1,217,035	132,938	24,454	5,777,420
Benefit payments[3]	422,724	101,781	8,083	1,583	534,170
Premium income[4]	514,542	128,832	10,543	1,870	655,788

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, 2012

	Policies	Face amount in force (millions)
Veterans programs		
U.S. Government Life Insurance	2,002	$5
National Service Life Insurance	567,808	6,967
Veterans' Special Life Insurance	147,720	2,031
Service-Disabled Veterans Insurance	243,387	2,525
Veterans' Reopened Insurance	23,177	241
Veterans' Mortgage Life Insurance	2,464	299
Total	986,558	12,068
Uniformed service member programs		
Servicemembers' Group Life Insurance (SGLI)	2,385,500	889,204
Traumatic Injury Protection (TSGLI)*	-	229,050
SGLI Family Coverage	3,174,000	128,225
Veterans' Group Life Insurance	426,874	63,150
Total	5,986,374	1,309,629
Aggregate total	6,972,932	1,321,697

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	
	2002	2011	2012	2002/2012	2011/2012
Home-office personnel					
Life insurance	446,000	346,700	346,100	-2.5	-0.2
Health insurance	345,100	439,200	461,800	3.0	5.1
Other	730,300	623,900	616,900	-1.7	-1.1
Total	1,521,400	1,409,800	1,424,800	-0.7	1.1
Agents, brokers, and service personnel	820,400	890,200	912,300	1.1	2.5
Aggregate total	2,341,800	2,300,000	2,337,100	0.0	1.6

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, 2008–2012

	Number of companies					Average annual percent change	
	2008	2009	2010	2011	2012	2008/2012	2011/2012
U.S. life insurers	976	946	917	895	868	-2.9	-3.0
Foreign-owned U.S. life insurers	105	103	106	105	99	-1.5	-5.7
Percentage of U.S. life insurers	10.8%	10.9%	11.6%	11.7%	11.4%		

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. 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				
	2008	2009	2010	2011	2012
Barbados	2	2	2	2	1
Bermuda	4	5	5	10	9
Canada	26	23	27	26	25
Cayman Islands	5	5	5	4	4
France	11	11	12	9	8
Germany	12	12	12	13	8
Italy	1	1	1	1	1
Japan	3	3	2	3	5
Netherlands	13	13	13	13	13
South Africa	1	1	1	1	1
Spain	2	2	1	1	-
Sweden	1	1	1	1	1
Switzerland	13	13	13	13	15
United Kingdom	11	11	11	8	8
Total	105	103	106	105	99

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

Year	In business at year's end				Total
	Stock	Mutual	Fraternals	Other	
1950	507	142	NA	NA	649
1955	942	165	NA	NA	1,107
1960	1,286	155	NA	NA	1,441
1965	1,475	154	NA	NA	1,629
1970	1,627	153	NA	NA	1,780
1975	1,603	143	NA	NA	1,746
1980	1,823	135	NA	NA	1,958
1981	1,855	136	NA	NA	1,991
1982	1,926	134	NA	NA	2,060
1983	1,985	132	NA	NA	2,117
1984	2,062	131	NA	NA	2,193
1985	2,133	128	NA	NA	2,261
1986	2,128	126	NA	NA	2,254
1987	2,212	125	NA	NA	2,337
1988	2,225	118	NA	NA	2,343
1989	2,153	117	NA	NA	2,270
1990	2,078	117	NA	NA	2,195
1991	1,947	117	NA	NA	2,064
1992	1,835	109	NA	NA	1,944
1993	1,736	108	NA	NA	1,844
1994	1,565	115	NA	10	1,690
1995*	1,356	259	NA	35	1,650
1996*	1,331	240	NA	36	1,607
1997*	1,193	238	NA	45	1,476
1998*	1,167	248	NA	29	1,444
1999*	1,064	250	NA	33	1,347
2000*	1,018	221	NA	30	1,269
2001*	986	222	117	16	1,341
2002*	956	204	114	10	1,284
2003*	931	180	105	11	1,227
2004*	901	161	108	9	1,179
2005*	857	151	102	9	1,119
2006*	818	142	103	9	1,072
2007*	768	133	99	9	1,009
2008*	741	132	95	8	976
2009*	714	131	93	8	946
2010*	700	121	89	7	917
2011*	687	117	85	6	895
2012*	660	120	82	6	868

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	522,600	204,200	611,600	1,338,400	677,800	2,016,200
1991	537,200	219,000	613,500	1,369,700	681,400	2,051,100
1992	530,600	228,300	627,000	1,385,900	672,200	2,058,100
1993	552,500	237,900	640,400	1,430,800	684,000	2,114,800
1994	562,600	249,400	649,300	1,461,300	700,300	2,161,600
1995	547,200	260,100	626,800	1,434,100	712,600	2,146,700
1996	510,000	278,000	642,800	1,430,800	726,400	2,157,200
1997	505,300	292,100	678,800	1,476,200	744,100	2,220,300
1998	510,600	306,200	729,400	1,546,200	766,300	2,312,500
1999	496,100	319,200	742,800	1,558,100	783,400	2,341,500
2000	481,100	327,700	720,000	1,528,800	787,800	2,316,600
2001	470,300	337,500	715,500	1,523,300	803,200	2,326,500
2002	446,000	345,100	730,300	1,521,400	820,400	2,341,800
2003	440,500	348,500	741,000	1,530,000	837,400	2,367,400
2004	392,400	372,000	708,300	1,472,700	860,100	2,332,800
2005	334,500	427,400	667,800	1,429,700	873,600	2,303,300
2006	362,400	425,000	663,400	1,450,800	890,800	2,341,600
2007	352,800	431,200	660,200	1,444,200	909,800	2,354,000
2008	356,300	441,300	660,600	1,458,200	908,500	2,366,700
2009	362,600	437,100	646,600	1,446,300	886,700	2,333,000
2010	366,400	434,600	627,700	1,428,700	875,200	2,303,900
2011	346,700	439,200	623,900	1,409,800	890,200	2,300,000
2012	346,100	461,800	616,900	1,424,800	912,300	2,337,100

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 $5.8 trillion in assets in 2012 (Table 2.1). Assets of U.S. life insurers rose 5 percent during 2012 (Table 2.2).

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

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

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

State laws allow assets in separate accounts to be invested without regard to the restrictions usually placed on the general account. A separate account portfolio might comprise only common stocks or bonds or mortgages, or some combination of these and other investments. Separate account assets totaled $2.1 trillion at the end of 2012—up 12 percent from the previous year (Table 2.2). General account assets amounted to $3.7 trillion in 2012, up 2 percent from 2011.

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 2012, 51 percent of life insurer assets were held in bonds. Total bond holdings of both general and separate accounts amounted to $2.9 trillion, up $58 billion from 2011 (Tables 2.1–2.2). Holdings of bonds in separate accounts increased 16 percent in 2012 to $299 billion. Bond holdings in general accounts increased to $2.64 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 $133 billion, U.S. government obligations $50 billion, and foreign government bonds $77 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 two-thirds of all long-term general account bonds (66%). Long-term bonds issued by U.S. states, territories, and political subdivisions came to $43 billion, while bonds issued for revenue, assessment, and industrial development totaled $89 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 2012 represented the largest component of life insurer assets at 33 percent (Table 2.1). Corporate debt issues totaled $1.9 trillion by year's end (Table 2.2). These investments have generally increased steadily for many years and have grown at a 2.5 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 fell to $459 billion at the end of 2012, down $4.5 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 ($377 billion) as opposed to those of foreign governments and international agencies ($82 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 2012 had a maturity between five and 10 years. Another 26 percent matured between one and five years, 20 percent had a maturity over 20 years, 14 percent matured between 10 and 20 years, and 10 percent had a maturity of one year or less (Table 2.4).

At the time of purchase, 37 percent of bonds had a maturity date of 20 years or more, while 31 percent had a maturity date of 10 to 20 years (Table 2.5). Bonds with maturity dates of five to 10 years (26%), and less than five years (7%) 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 2012, 94 percent of total general account bonds were investment grade, Classes 1 and 2 (Table 2.6). The percentage of total bonds in or near default (Class 6) was 0.1 percent.

Of the $2.7 trillion in general account bonds held by insurance companies in 2012, nearly $2 trillion was invested in publicly traded bonds and $741 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 0.3 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 8 percent between 2002 and 2012 (Table 2.2).

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

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

Life insurer holdings of corporate stock rose 12 percent between 2011 and 2012 to $1.73 trillion, accounting for 30 percent of total assets. At year-end 2012, $1.64 trillion, or 95 percent, of stock held by life insurance companies was in separate accounts (Table 2.2).

Common stock accounted for $1.7 trillion, or 99 percent, of all stock held by life insurers in 2012 (Table 2.1). Holdings of common stock increased 12 percent in 2012, while there was a 1 percent 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 2012, mortgages increased 3 percent to $354 billion and accounted 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 94 percent ($331 billion) of U.S. mortgages held by life insurers at the end of 2012 (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 were $18 billion, accounting for 5 percent of total mortgages in 2012.

Almost all of the mortgages held by life insurers were in good standing (99.5%) in 2012. Of industry-held mortgages, only 0.5 percent were either restructured, overdue, or in foreclosure in 2012.

At year-end 2012, $7 billion (2%) was held in general account mortgages with a loan-to-value ratio above 95 percent, compared with $289 billion (84%) 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 $31 billion at the end of 2012. This represents a 6 percent increase from 2011 (Tables 2.9).

By the end of 2012, real estate amounted to a half percent of life insurers' assets (Table 2.1). Real estate holdings in separate accounts increased $858 million during the year as real estate in general accounts increased $792 million (Table 2.2).

Real estate held to produce income totaled $24 billion, or 79 percent of all real estate owned, while real estate held for sale amounted to $651 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 $131 billion by year-end 2012, up 1 percent from the loans outstanding a year earlier (Tables 2.1–2.2). Policy loans accounted for 2 percent of company assets at the end of 2012.

FOREIGN-CONTROLLED ASSETS

Foreign-controlled assets were $1.3 trillion, or 22 percent of total industry assets in 2012, up from 2011 (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, 2012 (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.	$314,723	8.5	$62,349	3.0	$377,072	6.5
Foreign	77,054	2.1	4,786	0.2	81,840	1.4
Total government	391,777	10.6	67,135	3.2	458,912	7.9
Corporate securities	1,759,282	47.5	134,222	6.5	1,893,504	32.8
Mortgage-backed securities[1]	485,377	13.1	97,912	4.7	583,289	10.1
Total long-term bonds	2,636,436	71.1	299,269	14.5	2,935,705	50.8
Stocks						
Common	74,083	2.0	1,642,183	79.3	1,716,266	29.7
Preferred	8,308	0.2	685	0.0	8,993	0.2
Total	82,391	2.2	1,642,868	79.4	1,725,259	29.9
Mortgages						
Farm	17,967	0.5	141	0.0	18,108	0.3
Residential	4,606	0.1	43	0.0	4,650	0.1
Commercial	323,029	8.7	8,268	0.4	331,296	5.7
Total	345,602	9.3	8,452	0.4	354,053	6.1
Real estate	21,725	0.6	8,834	0.4	30,559	0.5
Policy loans	130,348	3.5	367	0.0	130,715	2.3
Short-term investments	71,544	1.9	19,104	0.9	90,648	1.6
Cash & cash equivalents	39,558	1.1	19,765	1.0	59,324	1.0
Derivatives	41,577	1.1	435	0.0	42,012	0.7
Other invested assets	153,431	4.1	49,939	2.4	203,370	3.5
Non-invested assets	185,027	5.0	20,748	1.0	205,775	3.6
Aggregate total	3,707,639	100.0	2,069,782	100.0	5,777,420	100.0

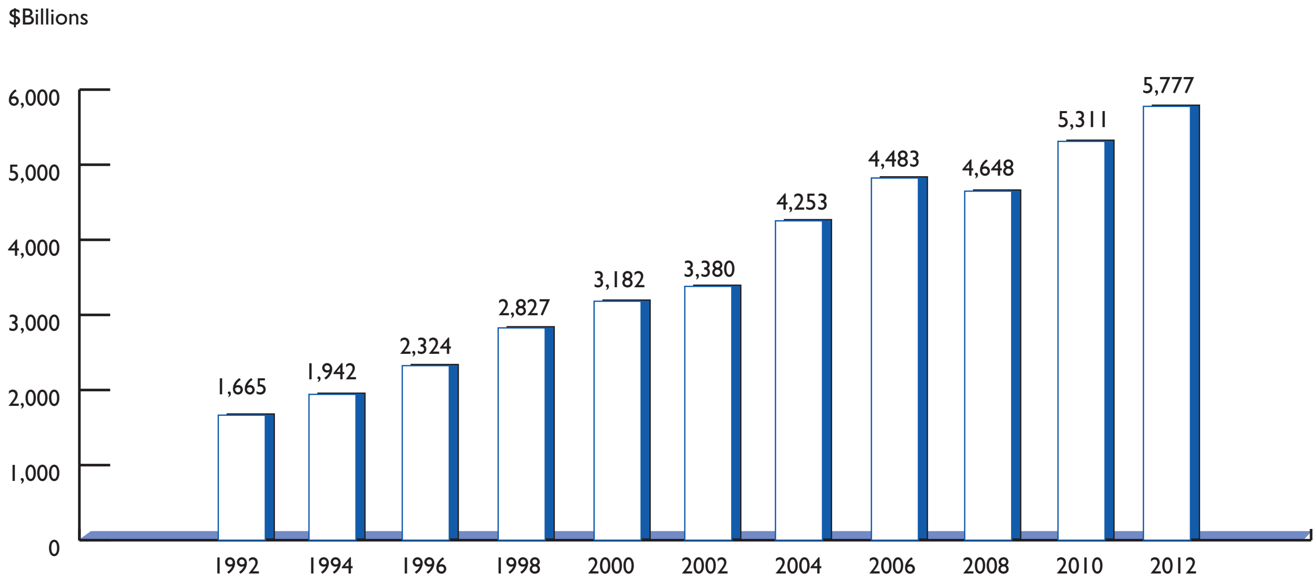
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

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.
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Table 2.2

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

	General account (millions)			Average annual percent change	
	2002	2011	2012	2002/2012	2011/2012
Bonds					
Government	$406,111	$403,793	$391,777	-0.4	-3.0
Corporate	1,359,316	1,702,987	1,759,282	2.6	3.3
MBS[1]	NA	512,417	485,377	NA	-5.3
Total	1,765,427	2,619,196	2,636,436	4.1	0.7
Stocks					
Common	61,230	74,328	74,083	1.9	-0.3
Preferred	24,041	8,492	8,308	-10.1	-2.2
Total	85,271	82,820	82,391	-0.3	-0.5
Mortgages	243,440	333,243	345,602	3.6	3.7
Real estate	21,768	20,934	21,725	0.0	3.8
Policy loans	104,376	128,826	130,348	2.2	1.2
Short-term investments	NA	62,651	71,544	NA	14.2
Cash & cash equivalents	25,271	37,230	39,558	4.6	6.3
Derivatives	NA	44,358	41,577	NA	-6.3
Other invested assets	67,445	140,334	153,431	8.6	9.3
Non-invested assets	108,564	173,939	185,027	5.5	6.4
Aggregate total	2,421,562	3,643,531	3,707,639	4.4	1.8

Continued

Table 2.2

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

	Separate account (millions)			Average annual percent change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Bonds					
Government	$74,862	$59,673	$67,135	-1.1	12.5
Corporate	115,259	103,994	134,222	1.5	29.1
MBS[1]	NA	94,628	97,912	NA	3.5
Total	190,121	258,296	299,269	4.6	15.9
Stocks					
Common	705,549	1,462,647	1,642,183	8.8	12.3
Preferred	610	618	685	1.2	10.9
Total	706,159	1,463,265	1,642,868	8.8	12.3
Mortgages	7,091	9,588	8,452	1.8	-11.8
Real estate	11,080	7,975	8,834	-2.2	10.8
Policy loans	854	507	367	-8.1	-27.6
Short-term investments	NA	21,565	19,104	NA	-11.4
Cash & cash equivalents	10,646	18,392	19,765	6.4	7.5
Derivatives	NA	998	435	NA	-56.4
Other invested assets	24,775	42,419	49,939	7.3	17.7
Non-invested assets	7,712	26,122	20,748	10.4	-20.6
Aggregate total	958,438	1,849,127	2,069,782	8.0	11.9

	Combined accounts (millions)			Average annual percent change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Bonds					
Government	$480,973	$463,466	$458,912	-0.5	-1.0
Corporate	1,474,575	1,806,981	1,893,504	2.5	4.8
MBS[1]	NA	607,045	583,289	NA	-3.9
Total	1,955,548	2,877,492	2,935,705	4.1	2.0
Stocks					
Common	766,779	1,536,975	1,716,266	8.4	11.7
Preferred	24,651	9,110	8,993	-9.6	-1.3
Total	791,430	1,546,085	1,725,259	8.1	11.6
Mortgages	250,531	342,831	354,053	3.5	3.3
Real estate	32,848	28,909	30,559	-0.7	5.7
Policy loans	105,230	129,333	130,715	2.2	1.1
Short-term investments	NA	84,216	90,648	NA	7.6
Cash & cash equivalents	35,917	55,622	59,324	5.1	6.7
Derivatives	NA	45,356	42,012	NA	-7.4
Other invested assets	92,220	182,753	203,370	5.3	11.3
Non-invested assets	116,276	200,062	205,775	8.2	2.9
Aggregate total	3,380,000	5,492,658	5,777,420	5.5	5.2

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 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).

Table 2.3

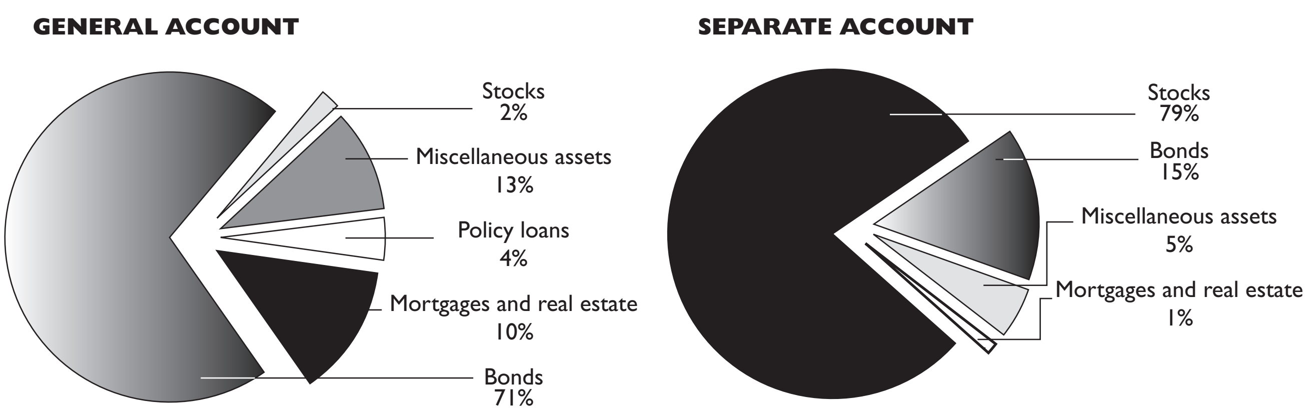
Distribution of Long-Term General Account Bond Investments

	2011		2012	
	Amount (millions)	Percent distribution	Amount (millions)	Percent distribution
U.S. Treasury securities	$126,731	4.8	$132,589	5.0
U.S. government obligations	57,330	2.2	50,074	1.9
Foreign government	97,463	3.7	77,054	2.9
U.S. states and territories	17,980	0.7	19,093	0.7
U.S. political subdivisions	23,666	0.9	23,706	0.9
Revenue and assessment	78,080	3.0	87,053	3.3
Industrial development	2,544	0.1	2,209	0.1
Mortgage-backed securities	512,417	19.6	485,377	18.4
Pass-through securities				
GNMA	18,272	0.7	18,965	0.7
FNMA and FHLMC	90,973	3.5	90,590	3.4
Privately issued	13,816	0.5	13,326	0.5
CMOs and REMICs				
GNMA, FNMA, FHLMC or VA	131,707	5.0	132,458	5.0
Privately issued and collateralized by MBS	6,647	0.3	6,552	0.2
All other privately issued	251,002	9.6	223,486	8.5
Other				
Unaffiliated securities	1,683,311	64.3	1,735,676	65.8
Affiliated securities	19,676	0.8	23,606	0.9
Total	2,619,196	100.0	2,636,436	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, 2012



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, 2008–2012

	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						
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
2012	13.5	18.8	18.3	23.2	26.3	100.0
Corporate						
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
2012	9.3	28.6	32.6	11.3	18.2	100.0
Total						
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
2012	10.4	26.1	29.1	14.2	20.2	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, 2012

Maturity	Percent distribution
20 years and over	36.7
10 years to less than 20 years	30.8
5 years to less than 10 years	25.9
Less than 5 years	6.6
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	2002		2011		2012	
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	$939,542	68.4	$1,434,049	71.4	$1,382,494	69.6
Class 2	342,945	25.0	469,744	23.4	505,955	25.5
Medium quality						
Class 3	54,881	4.0	61,466	3.1	59,181	3.0
Low quality						
Class 4	23,007	1.7	31,873	1.6	28,837	1.5
Class 5	8,743	0.6	8,447	0.4	6,969	0.4
Class 6	3,531	0.3	2,376	0.1	1,556	0.1
Total	1,372,649	100.0	2,007,954	100.0	1,984,993	100.0

PRIVATE BONDS	2002		2011		2012	
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	$169,027	43.0	$321,099	46.5	$333,781	45.1
Class 2	164,350	41.8	296,131	42.9	333,675	45.0
Medium quality						
Class 3	32,988	8.4	44,173	6.4	44,070	5.9
Low quality						
Class 4	14,304	3.6	17,714	2.6	19,389	2.6
Class 5	8,753	2.2	8,146	1.2	7,580	1.0
Class 6	3,356	0.9	2,562	0.4	2,203	0.3
Total	392,778	100.0	689,825	100.0	740,699	100.0

TOTAL BONDS	2002		2011		2012	
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	$1,108,569	62.8	$1,755,148	65.1	$1,716,276	63.0
Class 2	507,295	28.7	765,874	28.4	839,630	30.8
Medium quality						
Class 3	87,869	5.0	105,639	3.9	103,251	3.8
Low quality						
Class 4	37,311	2.1	49,586	1.8	48,227	1.8
Class 5	17,496	1.0	16,593	0.6	14,549	0.5
Class 6	6,887	0.4	4,938	0.2	3,759	0.1
Aggregate total	1,765,427	100.0	2,697,778	100.0	2,725,691	100.0

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

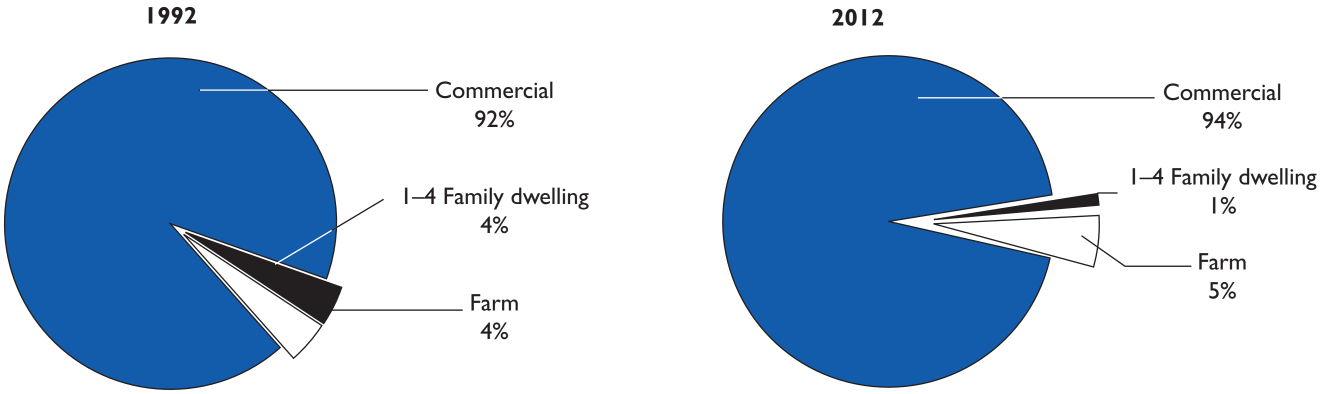
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Figures include both government and corporate bonds held in corporate general accounts of U.S. life insurers and, as of 2003, fraternal benefit societies.

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.
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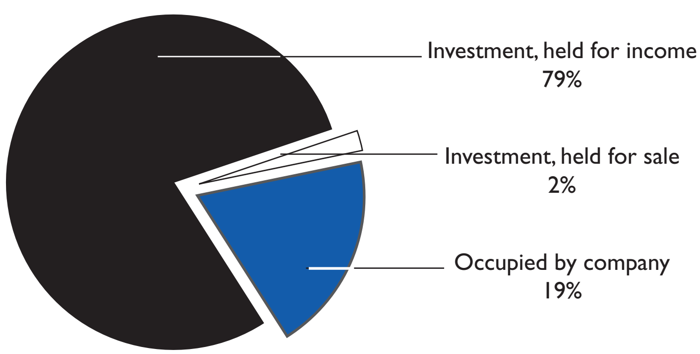
Figure 2.4

Real Estate Owned by Life Insurers, 2012



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)

	2002		2011		2012	
	Amount	**Percent distribution**	**Amount**	**Percent distribution**	**Amount**	**Percent distribution**
Farm						
In good standing	$12,883	97.1	$18,103	99.8	$18,085	99.9
Restructured	282	2.1	15	0.1	17	0.1
Overdue	34	0.3	15	0.1	4	0.0
Foreclosed	65	0.5	2	0.0	2	0.0
Total	13,264	100.0	18,134	100.0	18,108	100.0
Residential						
In good standing	4,632	98.4	4,564	98.8	4,587	98.6
Restructured	31	0.7	11	0.2	6	0.1
Overdue	24	0.5	20	0.4	26	0.6
Foreclosed	20	0.4	27	0.6	31	0.7
Total	4,707	100.0	4,622	100.0	4,650	100.0
Commercial						
In good standing	230,326	99.0	317,765	99.3	329,609	99.5
Restructured	1,445	0.6	1,402	0.4	1,234	0.4
Overdue	353	0.2	625	0.2	265	0.1
Foreclosed	436	0.2	283	0.1	189	0.1
Total	232,560	100.0	320,075	100.0	331,296	100.0
All categories						
In good standing	247,842	98.9	340,432	99.3	352,280	99.5
Restructured	1,758	0.7	1,428	0.4	1,257	0.4
Overdue	411	0.2	660	0.2	295	0.1
Foreclosed	521	0.2	312	0.1	222	0.1
Aggregate total	250,531	100.0	342,831	100.0	354,053	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, 2012 (millions)

Loan-to-value ratio	Farm	Non-Farm	Total
Above 95%	$26	$6,930	$6,956
91–95%	13	2,182	2,196
81–90%	117	10,903	11,020
71–80%	347	36,056	36,403
Below 71%	17,464	271,563	289,027
Total	17,967	327,635	345,602

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	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Investment property					
Held for income	$21,793	$22,632	$24,244	1.1	7.1
Held for sale	5,098	420	651	-18.6	54.8
Total	26,890	23,053	24,895	-0.8	8.0
Occupied by company	5,958	5,857	5,664	-0.5	-3.3
Aggregate total	32,848	28,909	30,559	-0.7	5.7

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

Table 2.10

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

	2008	2009	2010	2011	2012
Barbados	$540	$677	$793	$871	$1,100
Bermuda	2,328	3,091	3,342	13,181	18,749
Canada	292,960	332,007	366,100	362,766	374,740
Cayman Islands	3,048	2,695	2,308	2,254	2,095
France	133,231	148,399	156,658	153,689	161,007
Germany	76,404	86,111	95,851	102,890	108,643
Italy	831	913	987	1,033	1,109
Japan	589	593	616	663	6,181
Netherlands	348,825	358,719	373,199	362,272	372,216
South Africa	23	9	4	4	4
Spain	178	193	75	74	-
Sweden	1	1	1	1	-
Switzerland	55,530	54,451	53,206	52,202	37,791
United Kingdom	131,706	144,529	165,583	160,654	198,523
Total	1,046,193	1,132,388	1,218,723	1,212,553	1,282,158
Percentage of industry assets	22.5%	22.8%	22.9%	22.1%	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. Data for previous years revised.

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
2012 ‡	2,935,705	1,725,259	354,053	30,559	130,715	601,129	5,777,420

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 2012, policy reserves of U.S. life insurers totaled $4.4 trillion, five percent higher than 2011 (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 2012, reserves for life insurance comprised 29 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 2012, these reserves consisted of $1.1 trillion for individual life policies, $153 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 2012 (65%), or $2.9 trillion, from 44 percent in 1980. Much of the increase reflects the strong growth in retirement plans administered by life insurers.

In 2012, annuity reserves consisted of $1.9 trillion for individual annuities, up six percent from 2011, and $958 billion for group annuities, up about ten percent. General account annuity reserves decreased by one percent while separate account reserves increased by fourteen 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 2012 totaled $19 billion, and for health insurance policies, $228 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 2012, $146 billion was deposited to these contracts and $148 billion was withdrawn, with a total reserve of $431 billion at year's end (Table 3.3).

In 2012, premium and other deposit funds remained the largest category of the deposit-type business with $76 billion in deposits, $76 billion in payments, and $188 billion in reserve at year-end. GICs received $47 billion from policyholders and paid out $47 billion in 2012, leaving a reserve of $137 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 2012, the industry's total AVR increased 14 percent to $45 billion, and its IMR increased 24 percent to $26 billion (Table 3.1).

OTHER LIABILITIES

In addition to reserves, other liability funds of U.S. life insurers at the end of 2012 included $43 billion in policy and contract claims; $17 billion set aside for the following year's dividend payments to policyholders; and $395 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 $340 billion for U.S. life insurers at the end of 2012 (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 2012, the aggregate capital ratio of U.S. life insurers was 10.4 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 2012, the ratio increased to 466 percent.

Most companies have an RBC ratio well above the regulatory minimum level of 100 percent. By year-end 2012, 776 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	
	2002	2011	2012	2002/2012	2011/2012
Reserves					
Policy reserves[1]	$1,693,864	$2,616,022	$2,609,151	4.4	-0.3
Other reserves					
Liabilities for deposit-type contracts[2]	262,720	276,033	280,313	0.7	1.6
Asset valuation reserve (AVR)	22,851	39,725	45,411	7.1	14.3
Policy and contract claims	35,043	43,607	43,281	2.1	-0.7
Funds set aside for policyholder dividends	18,489	17,328	17,150	-0.7	-1.0
Interest maintenance reserve (IMR)	10,204	21,054	26,087	9.8	23.9
Miscellaneous reserves[3]	8,961	23,611	29,738	12.7	26.0
Total other reserves	358,269	421,358	441,979	2.1	4.9
Total reserves	2,052,133	3,037,380	3,051,130	4.0	0.5
Non-reserve liabilities	169,762	288,935	318,627	6.5	10.3
Total liabilities	2,221,894	3,326,315	3,369,757	4.3	1.3
Capital and surplus	199,668	317,216	337,881	5.4	6.5
Total liabilities and surplus funds	2,421,563	3,643,531	3,707,639	4.4	1.8
	Separate account (millions)			**Average annual percent change**	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Reserves					
Policy reserves[1]	$813,450	$1,628,428	$1,840,282	8.5	13.0
Other reserves					
Liabilities for deposit-type contracts[2]	100,795	137,010	150,218	4.1	9.6
Interest maintenance reserve (IMR)	105	176	252	9.1	43.3
Total other reserves	100,900	137,186	150,469	4.1	9.7
Total reserves	914,350	1,765,615	1,990,752	8.1	12.8
Non-reserve liabilities	41,438	79,603	76,470	6.3	-3.9
Total liabilities	955,788	1,845,218	2,067,221	8.0	12.0
Surplus	2,650	3,910	2,560	-0.3	-34.5
Total liabilities and surplus funds	958,438	1,849,127	2,069,782	8.0	11.9

Continued

Table 3.1

Liabilities and Surplus Funds of Life Insurers—Continued

	Combined account (millions)			Average annual percent change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Reserves					
Policy reserves[1]	$2,507,314	$4,244,451	$4,449,433	5.9	4.8
Other reserves					
Liabilities for deposit-type contracts[2]	363,514	413,044	430,531	1.7	4.2
Asset valuation reserve (AVR)	22,851	39,725	45,411	7.1	14.3
Policy and contract claims	35,043	43,607	43,281	2.1	-0.7
Funds set aside for policyholder dividends	18,489	17,328	17,150	-0.7	-1.0
Interest maintenance reserve (IMR)	10,310	21,230	26,339	9.8	24.1
Miscellaneous reserves[3]	8,961	23,611	29,738	12.7	26.0
Total other reserves	459,169	558,544	592,449	2.6	6.1
Total reserves	2,966,483	4,802,995	5,041,882	5.4	5.0
Non-reserve liabilities	211,199	368,538	395,097	6.5	7.2
Total liabilities	3,177,682	5,171,533	5,436,979	5.5	5.1
Capital and surplus	202,318	321,126	340,442	5.3	6.0
Total liabilities and surplus funds	3,380,000	5,492,658	5,777,420	5.5	5.2

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. 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.

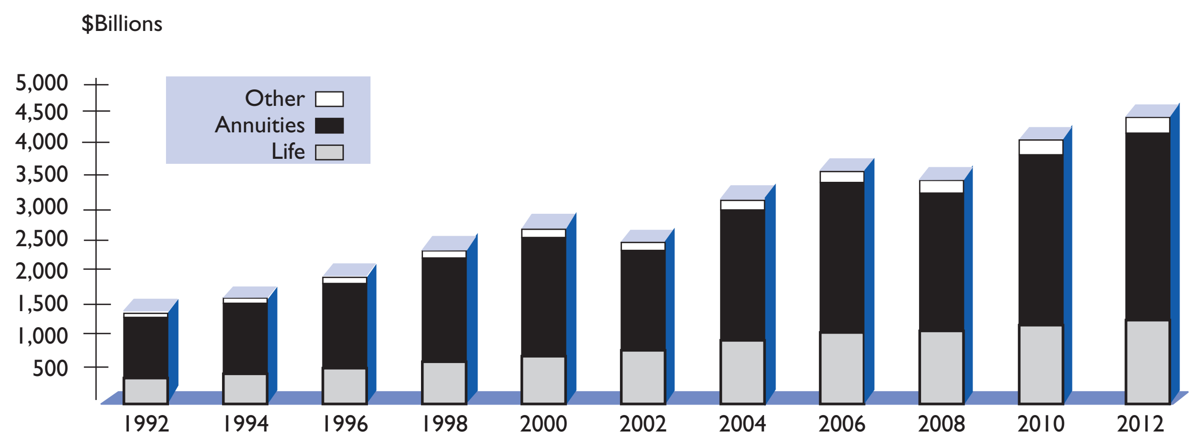
[1]Beginning in 2001, excludes reserves for guaranteed interest contracts (GICs).

[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	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Life insurance					
Individual	$653,695	$997,563	$997,641	4.3	0.0
Group	39,616	55,502	60,034	4.2	8.2
Credit	2,802	667	637	-13.8	-4.5
Total	696,113	1,053,732	1,058,311	4.3	0.4
Annuities[1]					
Individual	597,735	994,467	984,719	5.1	-1.0
Group	277,249	323,913	323,713	1.6	-0.1
Supplementary contracts with life contingencies	13,023	17,161	18,284	3.5	6.5
Total	888,007	1,335,541	1,326,716	4.1	-0.7
Health insurance					
Individual	73,840	171,869	166,726	8.5	-3.0
Group	33,254	53,804	56,318	5.4	4.7
Credit	2,649	1,077	1,079	-8.6	0.2
Total	109,743	226,749	224,123	7.4	-1.2
Aggregate total	1,693,864	2,616,022	2,609,151	4.4	-0.3

	Separate account (millions)			Average annual percent change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Life insurance					
Individual	$92,688	$143,793	$150,735	5.0	4.8
Group	44,126	88,159	93,000	7.7	5.5
Total	136,813	231,952	243,735	5.9	5.1
Annuities[1]					
Individual	382,329	845,707	957,811	9.6	13.3
Group	292,607	547,212	634,382	8.0	15.9
Supplementary contracts with life contingencies	676	847	955	3.5	12.8
Total	675,613	1,393,767	1,593,148	9.0	14.3
Health insurance					
Individual	-	-	-	NC	NC
Group	1,024	2,709	3,399	12.7	25.4
Total	1,024	2,709	3,399	12.7	25.4
Aggregate total	813,450	1,628,428	1,840,282	8.5	13.0

Continued

Table 3.2

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

	Combined account (millions)			Average annual percent change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Life insurance					
Individual	$746,383	$1,141,356	$1,148,376	4.4	0.6
Group	83,742	143,661	153,034	6.2	6.5
Credit	2,802	667	637	-13.8	-4.5
Total	832,927	1,285,684	1,302,046	4.6	1.3
Annuities[1]					
Individual	980,065	1,840,174	1,942,530	7.1	5.6
Group	569,856	871,126	958,095	5.3	10.0
Supplementary contracts with life contingencies	13,699	18,008	19,239	3.5	6.8
Total	1,563,620	2,729,308	2,919,865	6.4	7.0
Health insurance					
Individual	73,840	171,869	166,726	8.5	-3.0
Group	34,278	56,513	59,716	5.7	5.7
Credit	2,649	1,077	1,079	-8.6	0.2
Total	110,768	229,459	227,521	7.5	-0.8
Aggregate total	2,507,314	4,244,451	4,449,433	5.9	4.8

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

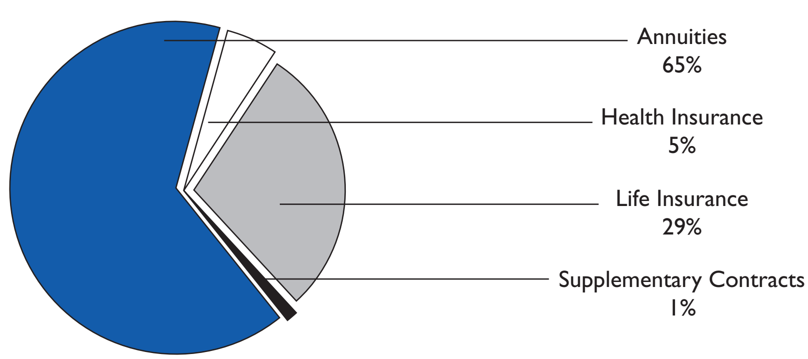
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Codification effective with 2001 Annual Statement filings changed the reporting of certain lines of business, particularly deposit-type contracts, as explained in numbered footnotes. Data represent U.S. life insurers and, 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, 2012



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, 2012 (millions)

	Deposits	Withdrawals	Reserves
General account			
Guaranteed interest contracts (GICs)	$34,524	$38,389	$73,743
Annuities certain	4,323	6,002	40,809
Supplementary contracts without life contingencies	16,767	16,735	42,082
Dividend accumulations or refunds	944	1,768	22,406
Premium and other deposit funds	58,831	54,619	101,273
Total	115,389	117,514	280,313
Separate account			
Guaranteed interest contracts (GICs)	12,290	8,889	63,052
Annuities certain	211	63	798
Supplementary contracts without life contingencies	39	43	130
Dividend accumulations or refunds	17,607	21,832	86,237
Premium and other deposit funds			
Total	30,147	30,826	150,218
Combined account			
Guaranteed interest contracts (GICs)	46,814	47,278	136,795
Annuities certain	4,534	6,065	41,607
Supplementary contracts without life contingencies	16,806	16,777	42,213
Dividend accumulations or refunds	944	1,769	22,406
Premium and other deposit funds	76,438	76,452	187,510
Total	145,536	148,340	430,531

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)

	2002	2011	2012
Including AVR	9.3	9.9	10.4
Excluding AVR	8.4	8.8	9.2

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. 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, 2002–2012

	Number of companies										
Risk-based capital ratio	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
200 percent or more	1,002	1,051	1,026	997	948	892	830	812	803	794	776
175–199	31	30	18	19	19	23	31	29	20	19	22
150–174	25	24	21	16	22	11	17	20	26	23	15
125–149	30	30	25	15	21	13	19	15	13	11	17
100–124	13	18	13	10	5	5	8	10	10	9	6
Less than 100 percent	25	22	16	14	14	16	36	19	11	10	8
Total	1,126	1,175	1,119	1,071	1,029	960	941	905	883	866	844
Average risk-based capital ratio	325%	357%	390%	409%	411%	406%	382%	418%	450%	457%	466%

	Percentage of companies (percent)										
Risk-based capital ratio	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
200 percent or more	89.0	89.4	91.7	93.1	92.1	92.9	88.2	89.7	90.9	91.7	91.9
175–199	2.8	2.6	1.6	1.8	1.8	2.4	3.3	3.2	2.3	2.2	2.6
150–174	2.2	2.0	1.9	1.5	2.1	1.1	1.8	2.2	2.9	2.7	1.8
125–149	2.7	2.6	2.2	1.4	2.0	1.4	2.0	1.7	1.5	1.3	2.0
100–124	1.2	1.5	1.2	0.9	0.5	0.5	0.9	1.1	1.1	1.0	0.7
Less than 100 percent	2.2	1.9	1.4	1.3	1.4	1.7	3.8	2.1	1.2	1.2	0.9
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	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
200 percent or more	96.8	98.3	98.4	98.8	99.0	99.4	97.0	98.7	99.0	98.9	99.2
175–199	1.6	0.4	0.1	0.5	0.2	0.2	2.2	0.2	0.2	0.3	0.3
150–174	0.3	0.4	0.5	0.4	0.3	0.0	0.5	0.5	0.6	0.7	0.2
125–149	0.8	0.3	0.9	0.2	0.4	0.4	0.1	0.5	0.1	0.0	0.1
100–124	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Less than 100 percent	0.2	0.3	0.1	0.1	0.0	0.0	0.2	0.1	0.1	0.0	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.

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
2012‡	1,302,046	227,521	1,942,530	958,095	19,239	4,449,433

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
2012‡	1,148,376	153,034	637	1,302,046

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

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

‡Includes fraternal benefit societies.

Table 3.8

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

Year	Policy reserves	Liabilities for deposit-type contracts[1]	Funds set aside for policy dividends	Other obligations	Policy and contract claims[2]	Mandatory securities or asset valuation reserves[3]	Interest maintenance reserve	Capital and surplus funds	Total
1952	$62,579	$1,675	$841	$3,024	--	NA	--	$5,256	$73,375
1955	75,359	2,239	1,201	3,562	--	$1,063	--	7,008	90,432
1960	98,473	3,381	1,780	4,851	--	1,417	--	9,674	119,576
1965	127,620	4,326	2,647	7,295	--	3,160	--	13,836	158,884
1970	167,779	6,068	3,540	10,295	--	2,249	--	17,323	207,254
1975	237,116	8,814	4,875	16,241	--	1,695	--	20,563	289,304
1980	390,339	12,727	7,659	27,701	--	6,426	--	34,358	479,210
1981	428,031	13,261	8,355	33,223	--	5,511	--	37,422	525,803
1982	479,360	13,706	8,914	38,001	--	6,731	--	41,451	588,163
1983	532,441	13,939	10,078	44,022	--	8,084	--	46,384	654,948
1984	584,193	14,395	10,745	55,955	--	7,344	--	50,347	722,979
1985	665,302	14,638	11,710	66,932	--	10,539	--	56,780	825,901
1986	761,924	15,174	11,704	69,270	--	15,330	--	64,149	937,551
1987	862,133	15,837	12,043	71,063	--	16,013	--	67,370	1,044,459
1988	968,963	16,601	12,478	75,939	--	17,939	--	74,950	1,166,870
1989	1,083,678	17,278	13,373	82,306	--	19,438	--	83,683	1,299,756
1990	1,196,967	18,000	13,921	73,164	--	14,783	--	91,373	1,408,208
1991	1,304,778	18,531	13,196	89,804	--	18,854	--	106,038	1,551,201
1992	1,407,091	19,189	13,102	85,212	--	20,801	$3,899	115,237	1,664,531
1993	1,549,803	19,619	13,172	72,525	$20,680	25,063	10,245	128,020	1,839,127
1994	1,644,043	19,702	13,150	74,646	21,993	25,010	6,988	136,741	1,942,273
1995	1,812,325	19,950	13,739	83,923	23,987	29,676	9,000	150,944	2,143,544
1996	1,965,790	20,441	14,863	111,629	25,399	33,202	9,360	147,240	2,327,924
1997	2,164,559	20,456	16,197	141,042	29,181	36,159	11,398	160,086	2,579,078
1998	2,377,449	20,520	16,831	155,266	31,309	37,882	14,567	172,695	2,826,520
1999	2,609,920	20,808	17,356	157,860	31,096	40,089	12,275	181,248	3,070,653
2000	2,711,851	21,149	18,137	162,300	33,161	37,893	8,746	188,499	3,181,736
2001	2,445,972	337,713	18,689	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
2012‡	4,449,433	430,531	17,150	424,835	43,281	45,411	26,339	340,442	5,777,420

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	2000	11.1	9.2
1975	8.1	7.4	2001	10.1	8.7
1980	9.2	7.7	2002	9.3	8.4
1985	9.1	7.7	2003‡	9.6	8.5
1990	8.5	7.3	2004‡	9.8	8.6
1991	9.3	7.9	2005‡	9.7	8.5
1992	9.6	8.1	2006‡	10.0	8.6
1993	10.0	8.4	2007‡	10.3	8.9
1994	10.2	8.6	2008‡	8.7	8.1
1995	10.7	9.0	2009‡	9.7	9.1
1996	11.9	10.0	2010‡	10.1	9.2
1997	10.6	8.7	2011‡	9.9	8.8
1998	11.0	9.0	2012‡	10.4	9.2
1999	11.1	9.1			

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. 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 2012, total income of all U.S. life insurers increased 4.0 percent to $952 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 3.4 percent to $656 billion in 2012 (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 2012, life policies accounted for just over one-fifth of premium receipts (21%), while annuity considerations contributed more than half (53%) (Figure 4.1).

Premiums for life insurance policies totaled $135 billion in 2012, a 6.2 percent increase from the previous year (Table 4.2). Individual policy premiums accounted for the largest share at $106 billion, or 79 percent. Most were renewals, representing $65 billion, or 61 percent, of individual premiums (Table 4.3). Group insurance was the second-largest contributor to life insurance premiums at $28 billion, or 21 percent of the total. Again, renewals constituted the largest portion at $25 billion, or 89 percent, of all group premiums. Credit life provided $834 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 2012 (Table 4.5).

Annuity considerations increased 3.9 percent in 2012 to $348 billion (Table 4.2). Individual annuities provided $189 billion in premium receipts, decreasing 13.1 percent from 2011. Of individual annuity considerations, first-year annuity considerations constitute the largest share of this category at $108 billion, while group considerations counted renewals as the largest contributor with $69 billion (Table 4.4). Individual annuity considerations amounted to 1.56 percent of disposable personal income in 2012 (Table 4.5).

Premiums for accident and health insurance increased 0.4 percent to $172 billion in 2012 (Table 4.1) with group premiums being the largest portion at $93 billion, up 2.9 percent from 2011 (Table 4.2). Individual accident and health premiums decreased to $79 billion, with the largest share at $36 billion coming from guaranteed renewable contracts (Table 4.6).

INVESTMENT INCOME AND RATE OF RETURN

Net investment income of life insurance companies amounted to $217 billion in 2012 (Table 4.7). The largest source of investment income was from bonds at $144 billion, followed by common stock ($38 billion) and mortgage loans ($21 billion). Gross investment income increased 3.2 percent from 2011. Investment expenses, taxes, and deductions totaling $11 billion were up 1.8 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 2012, life insurers' net rate of return on total assets was 4.25 percent, down 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 5.07 percent in 2012, down from 5.29 percent in 2011.

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 5.30 percent in 2012 down from 5.73 percent in 2011.

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 increased 95 percent in 2012 to $54 billion (Table 4.9). Net gains can be calculated separately for each major line of business. Net gains from annuities were $28 billion compared with $7 billion in net gains a year ago. The net gain from life insurance increased 64 percent to $10 billion.

Table 4.1

Income of Life Insurers

	Millions			Average annual percent change	
	2002	2011	2012	2002/2012	2011/2012
Net premiums and considerations					
Life insurance premiums	$134,483	$127,455	$135,392	0.1	6.2
Annuity considerations[1]	269,296	334,895	348,095	2.6	3.9
Health insurance premiums	108,703	171,647	172,300	4.7	0.4
Total	512,482	633,997	655,788	2.5	3.4
Investment income	180,855	221,007	228,084	2.3	3.2
Other income[2]	40,676	60,332	68,483	5.3	13.5
Aggregate total	734,013	915,336	952,355	2.6	4.0

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

Notes: NAIC does not endorse any analysis or conclusions based on use of its data. 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 2005-2012, includes amortization of interest maintenance reserve.

Table 4.2

Premium Receipts of Life Insurers

	Millions			Average annual percent change	
	2002	2011	2012	2002/2012	2011/2012
Life insurance premiums					
Individual	$106,156	$100,763	$106,352	0.0	5.5
Group	27,076	25,819	28,207	0.4	9.2
Credit	1,251	873	834	-4.0	-4.4
Total	134,483	127,455	135,392	0.1	6.2
Annuity considerations[1]					
Individual	168,434	217,837	189,258	1.2	-13.1
Group	100,862	117,058	158,837	4.6	35.7
Total	269,296	334,895	348,095	2.6	3.9
Health insurance premiums					
Individual	32,906	80,785	78,810	9.1	-2.4
Group	74,466	90,152	92,767	2.2	2.9
Credit	1,331	710	723	-5.9	1.7
Total	108,703	171,647	172,300	4.7	0.4
Aggregate total	512,482	633,997	655,788	2.5	3.4

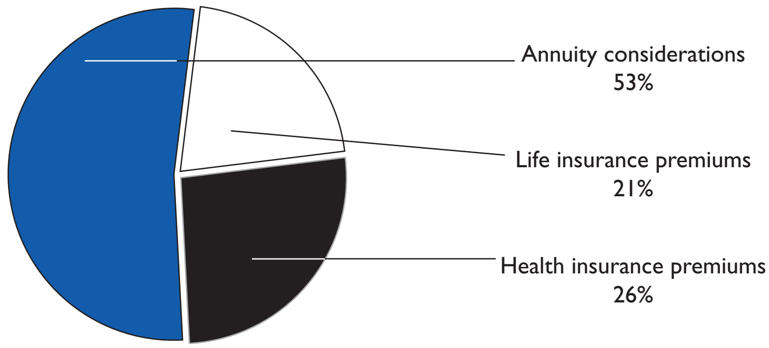
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

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 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, 2012



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, 2012 (millions)

	Individual	Percent distribution	Group	Percent distribution	Total	Percent distribution
First-year	$21,272	20.0	$1,150	4.1	$22,422	16.7
Single[1]	20,084	18.9	2,041	7.2	22,125	16.4
Renewal	64,995	61.1	25,016	88.7	90,011	66.9
Aggregate total	106,352	100.0	28,207	100.0	134,558	100.0

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

Table 4.4

Individual and Group Annuity Considerations, 2012 (millions)

	Individual[1]	Percent distribution	Group[1]	Percent distribution	Total	Percent distribution
First-year	$107,865	57.0	$29,753	18.7	$137,618	39.5
Single[2]	53,941	28.5	59,754	37.6	113,694	32.7
Renewal	27,452	14.5	69,330	43.6	96,782	27.8
Total	189,258	100.0	158,837	100.0	348,095	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 with 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		
	2002	**2011**	**2012**
Individual			
Life premiums	1.33	0.87	0.87
Annuity considerations[1]	2.10	1.89	1.56
Total	3.43	2.76	2.43

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	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Group	$74,466	$90,152	$92,767	2.2	2.9
Credit	1,331	710	723	-5.9	1.7
Individual					
Collectively renewable	246	27	24	-20.9	-11.1
Noncancelable	5,191	7,705	6,419	2.1	-16.7
Guaranteed renewable	22,825	36,694	36,220	4.7	-1.3
Nonrenewable	1,268	5,529	3,260	9.9	-41.0
Other accident	520	12,648	12,887	37.8	1.9
All other	2,856	18,182	20,000	21.5	10.0
Total	32,906	80,785	78,810	9.1	-2.4
Aggregate total	108,703	171,647	172,300	4.7	0.4

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. 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	
	2002	2011	2012	2002/2012	2011/2012
Gross investment income					
Bonds	$120,033	$147,105	$143,995	1.8	-2.1
Preferred stock	1,671	554	501	-11.4	-9.6
Common stock	19,755	29,895	38,426	6.9	28.5
Mortgage loans	19,240	20,006	20,703	0.7	3.5
Real estate	5,905	3,908	3,925	-4.0	0.4
Contract loans	7,147	8,028	7,916	1.0	-1.4
Cash/Short-term investments	2,510	352	487	-15.1	38.3
Other invested assets	4,478	9,389	10,224	8.6	8.9
Derivative instruments	-739	1,582	1,583	NC	0.0
Other write-ins	853	188	325	-9.2	73.1
Total	180,855	221,007	228,084	2.3	3.2
Expenses, taxes, and deductions	10,906	11,050	11,247	0.3	1.8
Net investment income	169,949	209,956	216,837	2.5	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.
NC: Not calculated.

Table 4.8

Rates of Return on Invested Assets of Life Insurers

	Percent		
	2002	2011	2012
Net rate			
Total assets	5.38	4.35	4.25
General account only	6.64	5.29	5.07
Gross rate			
Total fixed-income assets	7.13	5.73	5.30

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	
	2002	2011	2012	2002/2012	2011/2012
Life insurance					
Individual	$7,926	$4,378	$7,748	-0.2	77.0
Group	1,537	1,382	1,829	1.8	32.3
Credit	547	171	134	-13.1	-21.5
Total	10,010	5,930	9,711	-0.3	63.8
Annuities[1]					
Individual	-717	1,401	20,104	NC	1335.4
Group	4,314	5,406	8,170	6.6	51.1
Total	3,597	6,807	28,274	22.9	315.4
Accident and health					
Individual	1,438	4,858	3,789	10.2	-22.0
Group	2,298	4,732	4,610	7.2	-2.6
Credit	271	132	108	-8.8	-18.0
Total	4,007	9,722	8,507	7.8	-12.5
Other[2]	NA	5,124	7,185	NC	40.2
Aggregate total	17,614	27,583	53,677	11.8	94.6

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. 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)

Year	Net premium receipts: 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
2012‡	135,392	348,095^	172,300	655,788	228,084	68,483	952,355

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
2012‡	21,272	20,084	64,995	106,352

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
2012*‡	107,865	53,941	27,452	NA	189,258

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
2012‡	4.25	5.07	5.30

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 63 percent of expenditures at $534 billion in 2012 (Table 5.1, Figure 5.1). Additions to reserves were $164 billion for the second-largest category at 20 percent.

Operating expenses comprised 14 percent of 2012 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 2012 life insurers paid $63 billion to beneficiaries of policyholders who died; a 1.8% increase from 2011 (Table 5.2). Of this total, individual life insurance policies accounted for two-thirds and provided $43 billion (68%). Group life insurance payments to beneficiaries ranked second at $20 billion, or 31 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 $331 million in 2012.

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 2012 declined by 6 percent to $31 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 2012.

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 $442 million in 2012.

Other payments, including disability payments and retained assets under life insurance policies, totaled $512 million in 2012.

From Annuity Contracts

Annuity benefit payments decreased by 0.6 percent to $74 billion in 2012 (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 33 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 $217 billion on voluntarily terminated annuities in 2012, $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 $124 billion in health insurance benefits to Americans in 2012—$70 billion under group contracts and $54 billion under individual policies (Table 5.4). Life insurers' total health insurance benefit payments to Americans increased 2.6 percent from 2011.

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 2012, agent commissions comprised 6 percent of expenditures at $54 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 60 percent, was in salaries and payments to employee and agent benefit plans (Table 5.5). In 2012, life insurers also spent $7 billion on office equipment and supplies, $2 billion on office rent, $3 billion on fees associated with policy issuance and claim settlement, $2 billion on advertising, and $1 billion on travel.

TAXES

Life insurance companies incurred $20 billion in taxes to federal, state, and local governments in 2012, 24 percent more than in 2011 (Table 5.6). Nearly 59 percent of these taxes were income taxes at $12 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 2012, 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 2012. 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 2012. These taxes do not include amounts associated with investment management.

INVESTMENT EXPENSES

Expenses, fees, and taxes associated with investment management totaled $11 billion in 2012 (Table 5.7). Interest is the largest category at about $2.3 billion followed by salaries and welfare expenses at $2.1 billion.

Table 5.1

Expenditures of Life Insurers

	Millions			Average annual percent change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Contract payments					
Life insurance	$98,248	$109,354	$108,208	1.0	-1.0
Annuities[1]	203,029	283,803	293,996	3.8	3.6
Health insurance	79,578	120,650	123,772	4.5	2.6
Other payments[2]	9,057	11,000	8,193	-1.0	-25.5
Total	389,911	524,806	534,170	3.2	1.8
Additions to policy reserve funds[3]	192,654	201,740	164,272	-1.6	-18.6
Operating expenses					
Commissions to agents	44,193	52,506	53,817	2.0	2.5
Home- and field-office expenses	44,175	60,021	60,862	3.3	1.4
Total	88,368	112,527	114,679	2.6	1.9
Taxes[4]	10,777	16,231	20,190	6.5	24.4
Investment expenses[5]	11,055	11,050	11,247	0.2	1.8
Aggregate total	692,764	866,354	844,557	2.0	-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]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.

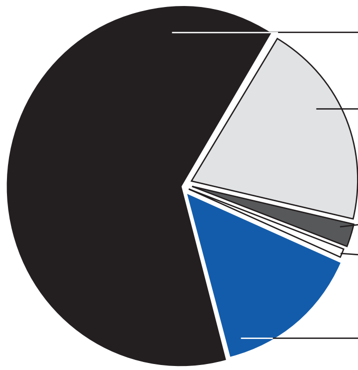
[3]Beginning in 2001, excludes addition to reserves for deposit-type contracts.

[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, 2012



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	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Payments to beneficiaries					
Individual	$30,117	$41,869	$43,109	3.7	3.0
Group	17,308	19,832	19,820	1.4	-0.1
Credit	741	431	331	-7.7	-23.3
Total	48,166	62,132	63,259	2.8	1.8
Surrender values					
Individual	31,354	32,107	30,300	-0.3	-5.6
Group	1,555	1,405	1,179	-2.7	-16.0
Total	32,909	33,511	31,479	-0.4	-6.1
Policyholder dividends	15,951	12,581	12,515	-2.4	-0.5
Matured endowments	583	577	442	-2.7	-23.4
Other payments[1]	639	553	512	-2.2	-7.3
Aggregate total	98,248	109,354	108,208	1.0	-1.0

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. 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	
	2002	2011	2012	2002/2012	2011/2012
Annuity benefits[1]					
Individual[1]	$28,589	$47,342	$47,364	5.2	0.0
Group[1]	23,998	25,196	24,567	0.2	-2.5
Supplementary contracts with life contingencies	2,363	1,980	2,108	-1.1	6.5
Total	54,950	74,518	74,039	3.0	-0.6
Surrenders values[2]					
Individual	75,432	116,620	118,637	4.6	1.7
Group	67,516	89,546	98,205	3.8	9.7
Total	142,948	206,166	216,843	4.3	5.2
Policyholder dividends	5,083	2,966	3,015	-5.1	1.6
Matured endowments	38	30	*	-53.1	-99.9
Other payments[3]	10	123	100	25.7	-18.7
Aggregate total	203,029	283,803	293,996	3.8	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 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]Beginning in 2001, excludes surrender benefits and fund withdrawals from deposit-type contracts.

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

*Fewer than $500,000.

Table 5.4

Payments From Health Insurance Policies

	Millions			Average annual percent change	
	2002	2011	2012	2002/2012	2011/2012
Group	$59,523	$67,032	$69,505	1.6	3.7
Individual	19,200	53,204	53,915	10.9	1.3
Credit	855	414	353	-8.5	-14.7
Total	79,578	120,650	123,772	4.5	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, as of 2003, fraternal benefit societies.

Table 5.5

Life Insurer Home- and Field-Office Expenses

	Millions			Average annual percent change	
	2002	2011	2012	2002/2012	2011/2012
Rental	$2,825	$2,529	$2,434	-1.5	-3.7
Employment					
Salaries	22,277	28,847	29,340	2.8	1.7
Welfare contributions and payments	4,166	6,802	7,101	5.5	4.4
Total	26,443	35,649	36,441	3.3	2.2
Fees associated with policy issuance/claim settlement	3,177	2,912	3,088	-0.3	6.1
Travel	994	1,219	1,226	2.1	0.5
Advertising	1,855	2,875	2,415	2.7	-16.0
Office equipment/supplies	7,061	6,980	6,929	-0.2	-0.7
Miscellaneous	1,821	7,858	8,328	16.4	6.0
Aggregate total	44,175	60,021	60,862	3.3	1.4

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. 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	
	2002	2011	2012	2002/2012	2011/2012
Income taxes[1]	$4,544	$8,170	$11,899	10.1	45.6
Social Security taxes	1,544	1,848	1,944	2.3	5.2
State taxes on premiums	3,590	4,312	4,471	2.2	3.7
Real estate taxes	10	27	26	9.7	-2.1
Miscellaneous taxes, licenses, and fees	1,088	1,874	1,850	5.4	-1.3
Total	10,777	16,231	20,190	6.5	24.4

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. 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	
	2002	2011	2012	2002/2012	2011/2012
Rental	$207	$197	$180	-1.4	-8.4
Employment					
Salaries	1,320	1,706	1,809	3.2	6.0
Welfare contributions/payments	186	277	299	4.9	7.7
Total	1,506	1,984	2,107	3.4	6.2
Real estate expenses	1,896	1,471	1,491	-2.4	1.4
Interest	1,991	2,320	2,265	1.3	-2.4
Depreciation on invested assets	1,023	763	758	-3.0	-0.7
Investment taxes and fees[1]					
Real estate	708	478	472	-4.0	-1.4
Other	98	95	96	-0.3	0.3
Total	806	574	567	-3.5	-1.1
Other	3,626	3,742	3,879	0.7	3.6
Aggregate total	11,055	11,050	11,247	0.2	1.8

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.

[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
2012‡	63,259	31,479	216,843	15,530	74,039	442	612	402,204

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
2012‡	3,512	43,109	946	19,820	185	331	4,644	63,259

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
2012‡	69,505	53,915	123,419

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

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

‡Includes fraternal benefit societies.

6 REINSURANCE

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

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

Virtually all life insurers buy reinsurance to improve their risk profile. In 2012, 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. Forty three percent of insurers doing annuity business in 2012 ceded annuity considerations, excluding deposit-type funds. The Society of Actuaries annually publishes more detailed data on the life reinsurance marketplace in the *Reinsurance News*.

Allocating Risk

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

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

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

Reinsurance is now a global business. Of the $154 billion total reinsurance premiums paid by U.S. life insurers in 2012, 63 percent was paid to reinsurers domiciled in the U.S. and 37 percent to reinsurers domiciled in other countries.

REINSURANCE RELATIONSHIP

Underwriting Strength

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

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

Product Flexibility

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

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

Capital Management

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

TYPES OF REINSURANCE

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

Proportional Reinsurance

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

Proportional plans, commonly used in life insurance include:

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

- *Coinsurance* The ceding insurer transfers a proportionate share of all the policy risks and cash flows. The reinsurer re-ceives its share of premiums, pays its share of benefits, sets up its share of reserves, and pays an allowance to the ceding insurer to cover its share of the costs of administering the policy.

- *Modified coinsurance* The reinsurer transfers its share of reserves back to the ceding insurer while the risk remains with the reinsurer. The ceding insurer, however, must pay interest to replace what the reinsurer would have earned had it re-tained its share of the reserve. This arrangement allows the ceding insurer to reduce potential credit risk and to retain control over investments. The latter is particularly important where the insurer is using a unique investment strategy.

Nonproportional reinsurance

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

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

Table 6.1

Reinsurance Assumed and Ceded—Premiums

	Millions			Average annual percentage change	
	2002	2011	2012	2002/2012	2011/2012
PREMIUMS PAID ON CEDED BUSINESS					
Life insurance					
Individual	$25,885	$81,117	$74,336	11.1	-8.4
Group	4,575	9,566	10,864	9.0	13.6
Credit	1,123	595	551	-6.9	-7.3
Total	31,583	91,279	85,751	10.5	-6.1
Annuity considerations[1]					
Individual	26,460	13,068	28,317	0.7	116.7
Group	4,959	7,932	10,369	7.7	30.7
Total	31,419	21,001	38,686	2.1	84.2
Accident and health insurance					
Individual	6,980	9,368	11,289	4.9	20.5
Group	12,661	16,466	18,011	3.6	9.4
Credit	1,468	451	371	-12.8	-17.6
Total	21,109	26,285	29,672	3.5	12.9
Aggregate total	84,111	138,564	154,109	6.2	11.2
PREMIUMS FROM ASSUMED BUSINESS					
Life insurance					
Individual	$19,996	$46,711	$43,630	8.1	-6.6
Group	3,427	3,887	4,616	3.0	18.7
Credit	597	243	256	-8.1	5.5
Total	24,019	50,841	48,502	7.3	-4.6
Annuity considerations[1]					
Individual	17,462	10,554	17,039	-0.2	61.4
Group	3,921	2,537	5,136	2.7	102.5
Total	21,382	13,091	22,175	0.4	69.4
Accident and health insurance					
Individual	4,571	5,524	7,419	5.0	34.3
Group	10,821	14,188	14,103	2.7	-0.6
Credit	930	232	139	-17.3	-39.9
Total	16,321	19,944	21,661	2.9	8.6
Aggregate total	61,723	83,876	92,338	4.1	10.1

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]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	
	2002	2011	2012	2002/2012	2011/2012
Face amount (millions)					
Individual	$1,347,928	$2,390,588	$1,414,102	0.5	-40.8
Credit	26,570	3,833	3,437	-18.5	-10.3
Group	160,680	224,317	252,166	4.6	12.4
Total	1,535,178	2,618,738	1,669,705	0.8	-36.2
Policies (units)					
Individual	31,819,072	26,045,804	22,805,706	-3.3	-12.4
Credit	4,098,085	941,169	672,681	-16.5	-28.5
Group	6,197,205	4,134,575	3,525,931	-5.5	-14.7
Total	42,114,362	31,121,548	27,004,318	-4.3	-13.2

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, 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 2012, a 1 percent decrease from 2011. By the end of 2012, total life insurance coverage in the United States was $19.3 trillion, an increase of .5 percent from 2011 (Table 7.1).

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

INDIVIDUAL LIFE INSURANCE

Individual life is the most widely used form of life insurance protection, accounting for 58 percent of all life insurance in force in the United States at year-end 2012 (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 $11.2 trillion at the end of 2012 and has grown at an average annual rate of 2 percent since 2002, when $9.3 trillion was in force (Table 7.1).

The average size of new individual life policies purchased has decreased since its peak in 2008 to $163,000 in 2012 (Figure 7.2). The number of individual policies purchased totaled 10.3 million in 2012 (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 2012, 36 percent, or 3.6 million, were term insurance, totaling $1.1 trillion, or 66 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 2012, direct purchases of permanent life constituted 64 percent of U.S. individual life insurance policies issued and 34 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 $1.25 trillion (74%) in 2012 (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 5.9 percent by 2012 (Table 7.4). Of the individual life policies that have been voluntarily terminated, 21 percent 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 2012, 90 percent, or 33 million, allowed the premium to be waived during disability, representing $3.2 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 2012, group insurance represented 39 percent of all life insurance policies in force (Table 7.1).

Group purchases decreased 3 percent in 2012 to $1.1 trillion. At the end of 2012, group life insurance provided $8 trillion of protection, 1 percent less than a year earlier (Table 7.1).

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

As with individual life policies, group policies can be purchased on either a participating or nonparticipating basis. Most group life policies are nonparticipating—94 percent of those purchased in 2012, at $1.1 trillion (Table 7.3).

The voluntary termination rate of group life insurance policies increased to 6.2 percent from 4.9 percent a year earlier. The voluntary lapses in 2012 increased to 5.6 percent from 4.6 percent in 2011 (Table 7.4).

Group policies also provide disability benefits. Of group life policies in force in 2012, 92 percent, or 47 million, provided for waiver of premium, representing $4 trillion, or 93 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 2012, $94 billion of credit life insurance was in force, down 11 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 2012, 79 percent, or $45 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 2012, $323 million in new claims along with $836 billion in other claims were in dispute. Of this amount, $157 million was paid in 2012 and $387 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	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
PURCHASES					
Face amount (millions)					
Individual[1]	$1,752,941	$1,672,514	$1,679,314	-0.4	0.4
Group	1,013,728	1,159,934	1,120,625	1.0	-3.4
Credit	122,148	57,999	57,007	-7.3	-1.7
Total	2,888,817	2,890,447	2,856,945	-0.1	-1.2
Policies (thousands)					
Individual	14,692	10,309	10,306	-3.5	0.0
Group (certificates)	24,020	16,867	16,757	-3.5	-0.7
Credit	16,339	12,143	9,929	-4.9	-18.2
Total	55,051	39,320	36,992	-3.9	-5.9
IN FORCE					
Face amount (millions)					
Individual	$9,311,729	$10,993,501	$11,215,136	1.9	2.0
Group	6,876,075	8,119,879	8,011,839	1.5	-1.3
Credit	158,534	105,685	93,940	-5.1	-11.1
Total	16,346,338	19,219,065	19,320,916	1.7	0.5
Policies (thousands)					
Individual	169,438	150,702	146,209	-1.5	-3.0
Group (certificates)	163,761	112,119	106,098	-4.2	-5.4
Credit	41,591	23,495	19,371	-7.4	-17.6
Total	374,790	286,315	271,679	-3.2	-5.1

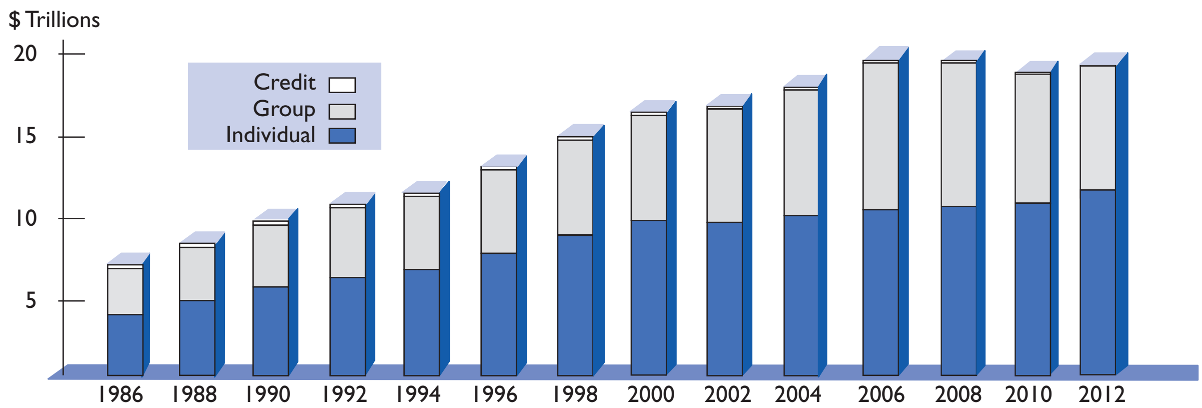
Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

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. 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

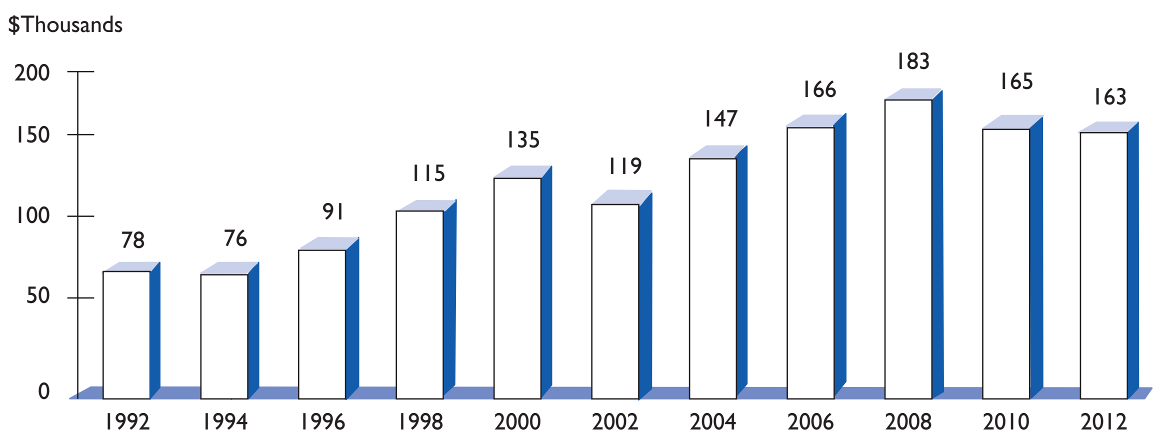
Individual, Group, and Credit Life Insurance in Force in the United States (face amount)



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, 2012

	Policies in thousands/Amounts in millions			
	Policies	**Percent**	**Face amount**	**Percent**
Term insurance				
Decreasing	159	1.6	$1,589	0.1
Level	3,440	34.6	1,018,682	61.8
Decreasing other term[1]	NA	NA	3,184	0.2
Level other term[2]	NA	NA	63,977	3.9
Term additions	NA	NA	1,174	0.1
Total	3,599	36.2	1,088,606	66.0
Whole life and endowment	6,330	63.8	560,127	34.0
Aggregate total	9,930	100.0	1,648,734	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**
2002								
Nonparticipating	$1,356,646	77.4	$772,825	76.2	$101,364	83.0	$2,230,836	77.2
Participating	396,295	22.6	240,902	23.8	20,784	17.0	657,981	22.8
Total	1,752,941	100.0	1,013,728	100.0	122,148	100.0	2,888,817	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
2012								
Nonparticipating	1,248,447	74.3	1,057,331	94.4	44,852	78.7	2,350,630	82.3
Participating	430,866	25.7	63,294	5.6	12,155	21.3	506,316	17.7
Total	1,679,314	100.0	1,120,625	100.0	57,007	100.0	2,856,945	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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Lapse rate											
Individual	6.6	5.7	5.4	4.9	4.9	5.1	6.1	5.7	5.4	4.8	4.7
Group	8.7	8.4	9.5	8.4	8.1	6.7	6.7	6.6	5.6	4.6	5.6
Credit	5.6	5.3	5.3	6.9	7.4	6.9	6.1	9.9	6.9	6.8	7.4
Surrender rate											
Individual	1.9	1.9	1.6	1.7	1.4	1.3	1.5	1.6	1.4	1.2	1.2
Group	0.5	0.6	0.3	0.2	0.5	0.1	0.2	0.3	0.2	0.3	0.6
Credit	13.7	11.8	10.9	10.0	9.4	7.9	8.3	7.0	6.6	7.3	8.2
Combined termination rate											
Individual	8.6	7.6	7.0	6.6	6.3	6.4	7.6	7.3	6.8	6.1	5.9
Group	9.2	9.0	9.7	8.6	8.6	6.8	6.9	7.0	5.8	4.9	6.2
Credit	19.3	17.1	16.2	16.9	16.8	14.8	14.4	16.9	13.5	14.1	15.6

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 7.5

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Lapse rate											
Individual	8.3	5.7	5.9	5.6	5.8	5.5	6.8	5.7	5.0	4.9	4.7
Group	8.9	8.6	9.1	8.4	7.9	6.6	6.6	10.0	6.7	5.9	5.8
Credit	8.2	6.0	4.5	5.9	5.5	5.4	5.4	10.1	7.9	7.9	7.8
Surrender rate											
Individual	1.2	1.3	1.1	1.3	1.1	1.1	1.1	1.2	1.2	1.1	1.1
Group	0.4	0.6	0.2	0.1	0.2	0.1	0.2	0.2	0.1	0.2	0.6
Credit	14.1	11.3	10.8	10.4	18.7	9.3	18.0	10.0	10.7	10.7	11.9
Combined termination rate											
Individual	9.6	6.9	7.0	6.9	6.9	6.6	7.9	6.9	6.1	6.1	5.8
Group	9.3	9.2	9.3	8.6	8.0	6.7	6.8	10.2	6.8	6.0	6.4
Credit	22.2	17.4	15.4	16.2	24.1	14.6	23.4	20.1	18.6	18.6	19.7

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 after 2002, fraternal benefit societies.

Table 7.6

Life Insurance With Disability Provisions, 2012

	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	33,369	22.8	$3,156,697	28.1
Disability income	357	0.2	20,608	0.2
Extended benefits[3]	0	0.0	0	0.0
Other	3,395	2.3	38,174	0.3
Total	37,121	25.4	3,215,479	28.7
Group[4]				
Waiver of premium	46,992	44.3	4,041,842	50.4
Disability income	612	0.6	21,766	0.3
Extended benefits	893	0.8	49,836	0.6
Other	2,360	2.2	237,725	3.0
Total	50,858	47.9	4,351,169	54.3
Credit[5]				
Waiver of premium	41	0.2	294	0.3
Disability income	878	4.5	3,779	4.0
Extended benefits	19	0.1	141	0.1
Total	938	4.8	4,214	4.5

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.
[1]Does not include fraternal benefit societies.
[2]Policies in force totaled 146 million, with a face amount of $11.2 trillion.
[3]Less than 500 policies and less then $500,000 face amount.
[4]Certificates in force totaled 106 million, with a face amount of $8 trillion.
[5]Policies in force totaled 19 million, with a face amount of $94 billion.

Table 7.7

New Policy Claims Resisted or Compromised (thousands)

	2002		2011		2012	
	Face amount	Percent	Face amount	Percent	Face amount	Percent
New claims in dispute	$249,194	35.3	$307,078	23.1	$323,282	27.9
All other claims in dispute	456,685	64.7	1,025,116	76.9	836,101	72.1
Total claims in dispute	705,879	100.0	1,332,195	100.0	1,159,383	100.0
Amount paid for new claims	20,924	30.7	28,044	13.2	51,509	32.7
Amount paid for claims previously resisted	47,236	69.3	184,358	86.8	105,788	67.3
Total amount paid	68,160	100.0	212,402	100.0	157,297	100.0
Amount resisted at year's end[1]	342,117		443,641		386,964	

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]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
2012‡	10,306	1,679,314	16,757	1,120,625	27,063	2,799,939

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)

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

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 2012, payments into annuities, known as considerations, increased 3 percent to $369 billion (Table 8.1), while annuity reserves increased 7 percent to $3 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 $159 billion in 2012, 36 percent higher than in 2011 (Table 8.1). Reserves for this type of annuity accounted for nearly one-third of all annuity reserves by the end of 2012 (32%), or $958 billion (Table 8.2). Benefit payments to group annuitants were virtually unchanged from 2011 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 2012, Americans deposited $189 billion in individual annuities, down 13 percent from 2011 (Table 8.1). Individual annuity owners received $49 billion in benefit payments, leaving $2 trillion in individual annuity reserves at year-end 2012 (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 2012, $21 billion was deposited into supplementary contracts without life contingencies and annuities certain, 12 percent less than in 2011 (Table 8.1), and $23 billion was paid to policyholders or beneficiaries (Table 8.3), leaving a total reserve of $84 billion at the end of 2012 to back future claims (Table 8.2).

Table 8.1

Annuity Considerations

	Millions			Average annual percentage change	
	2002	2011	2012	2002/2012	2011/2012
Individual annuities[1]	$168,428	$217,837	$189,258	1.2	-13.1
Group annuities	100,861	117,058	158,837	4.6	35.7
Annuities certain and supplementary contracts without life contingencies	22,608	24,247	21,340	-0.6	-12.0
Total	291,897	359,142	369,435	2.4	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. 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	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Individual annuities[1]	$993,764	$1,858,182	$1,961,770	7.0	5.6
Group annuities	569,856	871,126	958,095	5.3	10.0
Annuities certain and supplementary contracts without life contingencies	55,455	81,410	83,820	4.2	3.0
Total	1,619,075	2,810,717	3,003,685	6.4	6.9

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

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

[1]Includes supplementary contracts with life contingencies.

Table 8.3

Annuity Benefit Payments

	Millions			Average annual percentage change	
	2002	**2011**	**2012**	**2002/2012**	**2011/2012**
Individual annuities[1]	$30,952	$49,322	$49,472	4.8	0.3
Group annuities	23,998	25,196	24,567	0.2	-2.5
Annuities certain and supplementary contracts without life contingencies	20,231	25,893	22,842	1.2	-11.8
Total	75,181	100,411	96,881	2.6	-3.5

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.

[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
2012[4]	189,258	158,837	21,340	369,435

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

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, 38 percent of all workers in private industry were participating in short-term disability income insurance in 2012; 32 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 2012, life insurers collected $10.9 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, 16 percent of all workers in private industry had access to long-term care insurance at work in 2012.

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 2012, 850 life insurers were domiciled in the United States, and another 18 were domiciled in U.S. territories (Table 10.1). The companies' investments contribute to state economies as Americans and their families achieve financial security through life insurance products.

Billions of dollars of life insurance coverage is purchased in each state every year, ranging from $328 billion in California to $4 billion in Vermont in 2012 (Table 10.2). Total life insurance in force ranged from $3 trillion in California to $45 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 ($7.9 billion) and Texas ($5.2 billion) during 2012 (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 2012, payments from annuities totaled $8.2 billion in California followed by $7.4 billion in New York (Table 10.4). Residents of 23 other states received annuity payments totaling more than $1 billion.

Table 10.6 reports the distribution of premium receipts by state in 2012 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 ($57 billion) and New York ($51 billion).

Life insurers are a significant source of investment capital in each state, particularly through real estate loans. U.S. life insurers held $343 billion in domestic mortgages in 2012. Mortgage holdings ranged from $88 million in Vermont to $71 billion in California (Table 10.7). Life insurers also directly own real estate across the country—$30 billion worth in 2012 (Table 10.8). California and Washington had the most real estate owned by life insurers, with $6.7 billion and $2.4 billion, respectively.

Table 10.1

Life Insurers, by State of Domicile, 2012

Alabama	10	Nebraska	30
Alaska	-	Nevada	1
Arizona	34	New Hampshire	2
Arkansas	25	New Jersey	6
California	14	New Mexico	1
Colorado	9	New York	85
Connecticut	27	North Carolina	2
Delaware	29	North Dakota	4
District of Columbia	2	Ohio	40
Florida	11	Oklahoma	23
Georgia	15	Oregon	2
Hawaii	4	Pennsylvania	33
Idaho	1	Rhode Island	1
Illinois	57	South Carolina	12
Indiana	25	South Dakota	2
Iowa	26	Tennessee	9
Kansas	12	Texas	117
Kentucky	7	Utah	14
Louisiana	26	Vermont	2
Maine	1	Virginia	4
Maryland	4	Washington	7
Massachusetts	16	West Virginia	-
Michigan	21	Wisconsin	25
Minnesota	14	Wyoming	1
Mississippi	13	Total U.S.	850
Missouri	23		
Montana	1	Guam	3
		Puerto Rico	15
		Aggregate total	868

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, 2012 (millions)

	Individual	Group	Credit	Total
Alabama	$24,077	$11,237	$1,205	$36,519
Alaska	3,525	2,065	37	5,628
Arizona	27,359	19,550	242	47,150
Arkansas	11,386	5,740	343	17,469
California	205,835	121,336	722	327,893
Colorado	31,822	16,755	211	48,788
Connecticut	27,036	15,679	290	43,004
Delaware	6,797	3,910	74	10,781
District of Columbia	4,617	18,107	57	22,781
Florida	96,158	54,289	2,631	153,078
Georgia	53,299	38,836	3,619	95,754
Hawaii	7,051	4,064	288	11,403
Idaho	7,796	2,177	200	10,173
Illinois	76,678	55,193	1,659	133,529
Indiana	25,583	17,936	821	44,341
Iowa	17,968	8,983	692	27,643
Kansas	15,765	11,626	467	27,858
Kentucky	15,509	13,802	1,312	30,623
Louisiana	24,229	11,175	2,124	37,528
Maine	3,863	3,200	408	7,471
Maryland	35,212	22,226	631	58,069
Massachusetts	42,107	29,239	230	71,576
Michigan	36,988	28,039	1,843	66,870
Minnesota	33,841	16,829	444	51,114
Mississippi	13,610	5,266	1,145	20,021
Missouri	28,501	27,183	948	56,632
Montana	3,778	1,502	151	5,432
Nebraska	12,057	4,193	245	16,495
Nevada	12,690	7,285	49	20,024
New Hampshire	5,978	9,847	561	16,386
New Jersey	65,064	36,942	378	102,384
New Mexico	6,419	4,869	495	11,783
New York	134,383	53,672	1,924	189,978
North Carolina	45,998	41,681	2,827	90,507
North Dakota	4,517	4,122	314	8,954
Ohio	46,833	53,175	1,573	101,581
Oklahoma	15,218	14,600	751	30,569
Oregon	14,640	8,068	354	23,061
Pennsylvania	60,270	48,740	2,429	111,439
Rhode Island	4,819	4,569	27	9,416
South Carolina	21,566	11,823	2,235	35,625
South Dakota	6,741	1,499	169	8,408
Tennessee	31,750	31,819	1,872	65,440
Texas	127,291	128,603	8,274	264,168
Utah	18,960	7,870	660	27,490
Vermont	2,196	1,385	177	3,758
Virginia	40,832	41,033	1,248	83,113
Washington	30,332	49,429	196	79,957
West Virginia	4,716	2,536	417	7,670
Wisconsin	27,280	18,248	905	46,432
Wyoming	3,095	1,650	124	4,869
Total U.S.	1,624,036	1,153,600	51,000	2,828,637
Other[1]	67,397	8,838	4,848	81,083
Aggregate total	1,691,433	1,162,439	55,848	2,909,719

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. 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, 2012

	Thousands of policies/Millions of dollars					
	Individual		Group[1]	Credit		Total
	Policies	Face amount	Face amount	Policies[2]	Face amount	Face amount
Alabama	5,298	$250,474	$122,729	285	$1,302	$374,505
Alaska	174	36,678	21,470	19	131	58,279
Arizona	1,729	289,661	163,402	86	842	453,905
Arkansas	1,596	114,115	69,442	191	585	184,142
California	9,926	2,177,956	1,055,387	380	1,526	3,234,870
Colorado	1,859	336,330	175,493	97	543	512,366
Connecticut	1,587	346,894	153,437	72	596	500,928
Delaware	466	83,191	93,491	22	163	176,845
District of Columbia	379	40,178	122,824	17	105	163,107
Florida	7,101	996,086	527,427	607	3,478	1,526,991
Georgia	5,118	568,256	355,679	1,007	2,843	926,778
Hawaii	565	81,672	37,071	89	528	119,271
Idaho	493	75,957	36,466	63	412	112,834
Illinois	6,700	850,104	488,005	472	2,321	1,340,430
Indiana	3,235	302,892	178,046	315	1,292	482,230
Iowa	1,884	202,935	92,443	142	1,153	296,531
Kansas	1,511	172,742	90,511	117	837	264,090
Kentucky	2,270	172,467	131,330	399	1,499	305,296
Louisiana	3,906	243,165	133,177	633	2,763	379,105
Maine	492	55,735	49,993	70	566	106,294
Maryland	3,585	387,171	225,650	374	1,251	614,071
Massachusetts	2,607	512,544	278,584	121	625	791,753
Michigan	4,099	454,935	330,298	398	2,668	787,901
Minnesota	2,642	412,498	225,502	139	1,416	639,417
Mississippi	2,002	131,796	67,209	351	1,400	200,405
Missouri	3,072	317,123	214,926	252	1,483	533,532
Montana	350	44,985	20,549	36	250	65,785

Continued

Table 10.3

Life Insurance in Force, by State, 2012—continued

	Thousands of policies/Millions of dollars					
	Individual		Group[1]	Credit		Total
	Policies	Face amount	Face amount	Policies[2]	Face amount	Face amount
Nebraska	1,084	130,125	68,007	71	456	198,588
Nevada	669	120,720	55,253	38	193	176,166
New Hampshire	540	82,589	47,038	112	964	130,591
New Jersey	3,884	775,828	523,063	136	1,018	1,299,909
New Mexico	643	68,427	77,231	126	947	146,605
New York	7,995	1,434,699	668,297	572	4,203	2,107,199
North Carolina	5,978	534,437	357,305	551	2,456	894,199
North Dakota	397	45,167	19,626	52	555	65,348
Ohio	6,060	580,707	371,187	328	2,491	954,384
Oklahoma	1,489	153,819	97,795	169	1,210	252,824
Oregon	1,078	174,604	97,018	126	674	272,295
Pennsylvania	7,152	747,348	460,063	653	4,514	1,211,925
Rhode Island	409	64,053	47,086	16	109	111,248
South Carolina	3,177	222,565	129,777	798	1,924	354,266
South Dakota	501	67,720	21,793	41	324	89,837
Tennessee	3,645	342,360	222,511	418	2,281	567,152
Texas	10,533	1,251,056	849,126	1,638	13,041	2,113,223
Utah	777	176,450	79,037	216	1,195	256,681
Vermont	278	31,533	17,651	28	235	49,418
Virginia	4,191	478,802	392,629	328	2,045	873,476
Washington	1,838	339,724	233,875	109	675	574,275
West Virginia	949	54,041	49,226	81	596	103,863
Wisconsin	3,089	336,895	184,096	209	1,299	522,291
Wyoming	223	29,469	15,446	21	181	45,096
Total U.S.	141,223	17,901,675	10,544,679	13,590	76,163	28,522,518
Other[3]	4,941	311,512	89,866	5,780	29,482	430,860
Aggregate total	146,165	18,213,187	10,634,546	19,370	105,646	28,953,379

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, 2012 (thousands)

	Policy and contract dividends	Death payments	Annuity payments[1]	Surrender values	Other payments[2]	Total
Alabama	$200,871	$1,418,902	$736,278	$2,784,861	$23,992	$5,164,904
Alaska	23,640	194,411	99,307	497,720	2,034	817,113
Arizona	263,306	1,670,874	1,593,729	4,284,174	30,639	7,842,721
Arkansas	113,441	771,692	468,775	1,589,202	12,403	2,955,513
California	1,487,649	7,896,062	8,167,736	25,884,982	153,659	43,590,089
Colorado	286,625	1,244,132	1,165,652	4,466,494	35,198	7,198,101
Connecticut	397,427	1,440,825	2,701,722	11,837,697	25,936	16,403,606
Delaware	61,872	911,507	1,187,346	5,570,597	8,556	7,739,879
District of Columbia	54,012	461,675	215,721	888,491	152,871	1,772,770
Florida	1,013,798	5,105,391	5,074,486	17,591,945	129,193	28,914,812
Georgia	482,680	2,574,274	1,315,278	5,701,555	47,445	10,121,233
Hawaii	86,608	366,986	425,023	1,454,133	12,552	2,345,303
Idaho	77,008	375,853	319,614	902,579	6,819	1,681,873
Illinois	1,046,441	3,678,731	3,624,327	11,037,666	79,629	19,466,794
Indiana	420,707	1,596,948	1,389,917	5,431,169	43,758	8,882,499
Iowa	339,122	1,097,206	959,900	3,532,617	28,943	5,957,787
Kansas	199,424	873,270	612,308	3,911,627	22,426	5,619,055
Kentucky	199,226	1,140,437	813,248	2,421,205	61,965	4,636,080
Louisiana	208,172	1,241,408	771,428	3,129,608	26,797	5,377,413
Maine	90,195	362,758	315,319	1,111,447	13,614	1,893,332
Maryland	394,517	1,876,847	1,571,096	4,715,874	35,646	8,593,981
Massachusetts	670,011	1,788,273	2,672,602	7,565,035	47,200	12,743,120
Michigan	617,664	2,266,825	2,691,599	9,460,578	56,344	15,093,010
Minnesota	440,435	2,255,464	1,469,517	5,722,034	39,389	9,926,839
Mississippi	91,237	717,012	336,084	1,472,930	13,423	2,630,685
Missouri	354,266	1,713,659	1,386,984	6,164,542	50,794	9,670,244
Montana	60,183	217,509	214,279	558,128	5,556	1,055,655

Continued

Table 10.4

Life Insurance and Annuity Benefit Payments, by State, 2012 (thousands)—continued

	Policy and contract dividends	Death payments	Annuity payments[1]	Surrender values	Other payments[2]	Total
Nebraska	161,673	796,719	749,958	1,620,703	15,091	3,344,144
Nevada	87,963	619,348	462,901	1,491,906	9,900	2,672,016
New Hampshire	114,862	302,173	419,675	1,481,398	11,365	2,329,473
New Jersey	814,173	3,263,129	2,925,729	11,908,882	98,037	19,009,950
New Mexico	85,526	449,456	738,017	1,179,211	81,343	2,533,553
New York	2,020,741	5,117,565	7,390,640	20,095,815	146,902	34,771,663
North Carolina	599,982	2,913,284	1,845,860	8,144,352	60,390	13,563,868
North Dakota	56,439	206,279	160,571	556,618	3,722	983,629
Ohio	676,525	3,249,619	3,153,906	9,934,125	93,797	17,107,971
Oklahoma	158,722	893,129	723,442	2,132,798	16,612	3,924,703
Oregon	176,748	859,751	1,160,018	2,835,683	20,216	5,052,417
Pennsylvania	1,048,760	4,151,918	3,960,071	12,684,830	127,174	21,972,754
Rhode Island	82,476	278,907	358,236	1,213,650	10,344	1,943,613
South Carolina	217,279	1,309,073	722,238	3,167,072	26,712	5,442,374
South Dakota	67,733	332,827	195,981	647,119	5,708	1,249,368
Tennessee	292,105	1,754,051	1,208,015	4,698,811	30,215	7,983,197
Texas	887,081	5,234,053	4,348,479	15,068,920	90,087	25,628,620
Utah	118,561	894,499	513,810	1,972,892	8,683	3,508,444
Vermont	66,506	303,903	189,058	652,646	6,410	1,218,525
Virginia	508,859	2,349,050	1,550,542	6,282,698	45,207	10,736,356
Washington	328,716	1,274,713	1,889,032	4,622,203	43,045	8,157,708
West Virginia	109,746	445,492	382,318	965,652	14,204	1,917,412
Wisconsin	571,380	1,425,388	1,632,316	5,622,101	46,430	9,297,615
Wyoming	31,203	133,736	90,027	364,059	4,639	623,665
Total U.S.	18,964,296	83,816,993	79,070,116	269,033,030	2,183,014	453,067,448
Other[3]	265,724	1,854,483	1,744,732	6,608,426	159,866	10,633,231
Aggregate total	19,230,020	85,671,476	80,814,848	275,641,456	2,342,879	463,700,679

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, 2012 (thousands)

	Individual	Group	Credit	Total
Alabama	$989,626	$422,068	$7,208	$1,418,902
Alaska	60,073	133,791	546	194,411
Arizona	939,144	729,217	2,512	1,670,874
Arkansas	491,688	276,272	3,732	771,692
California	6,150,027	1,739,916	6,119	7,896,062
Colorado	906,037	335,864	2,231	1,244,132
Connecticut	904,196	534,795	1,834	1,440,825
Delaware	576,155	334,360	992	911,507
District of Columbia	186,066	275,151	458	461,675
Florida	3,835,040	1,250,136	20,215	5,105,391
Georgia	1,738,334	820,980	14,960	2,574,274
Hawaii	234,199	131,248	1,539	366,986
Idaho	225,584	148,179	2,089	375,853
Illinois	2,645,370	1,023,031	10,330	3,678,731
Indiana	1,100,188	487,713	9,046	1,596,948
Iowa	802,937	289,023	5,245	1,097,206
Kansas	585,139	283,594	4,538	873,270
Kentucky	682,174	449,995	8,269	1,140,437
Louisiana	903,463	328,548	9,397	1,241,408
Maine	195,575	164,688	2,495	362,758
Maryland	1,255,569	616,888	4,390	1,876,847
Massachusetts	1,333,129	453,095	2,048	1,788,273
Michigan	1,552,079	698,469	16,277	2,266,825
Minnesota	1,849,769	399,826	5,870	2,255,464
Mississippi	492,475	217,774	6,764	717,012
Missouri	1,103,931	600,431	9,298	1,713,659
Montana	147,418	68,384	1,707	217,509

Continued

Table 10.5

Payments to Life Insurance Beneficiaries, by State, 2012 (thousands)—continued

	Individual	Group	Credit	Total
Nebraska	438,517	355,869	2,332	796,719
Nevada	371,346	246,813	1,189	619,348
New Hampshire	216,260	83,775	2,137	302,173
New Jersey	2,248,454	1,010,021	4,654	3,263,129
New Mexico	238,266	207,473	3,717	449,456
New York	3,934,447	1,160,303	22,815	5,117,565
North Carolina	2,051,612	846,063	15,610	2,913,284
North Dakota	154,489	49,968	1,822	206,279
Ohio	2,352,104	884,051	13,463	3,249,619
Oklahoma	624,238	262,609	6,282	893,129
Oregon	597,449	257,464	4,838	859,751
Pennsylvania	2,834,058	1,294,276	23,584	4,151,918
Rhode Island	184,071	94,333	503	278,907
South Carolina	886,918	411,548	10,608	1,309,073
South Dakota	210,704	120,729	1,393	332,827
Tennessee	1,181,544	559,230	13,277	1,754,051
Texas	3,549,568	1,650,443	34,041	5,234,053
Utah	697,159	193,727	3,613	894,499
Vermont	265,823	36,861	1,219	303,903
Virginia	1,438,730	900,811	9,509	2,349,050
Washington	899,406	371,420	3,887	1,274,713
West Virginia	293,782	148,474	3,235	445,492
Wisconsin	1,066,210	352,944	6,233	1,425,388
Wyoming	94,151	38,624	961	133,736
Total U.S.	58,714,692	24,751,266	351,035	83,816,993
Other[1]	1,492,703	236,530	125,250	1,854,483
Aggregate total	60,207,395	24,987,796	476,285	85,671,476

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, 2012 (millions)

	Life	Annuity	Health	Deposit-type funds[1]	Total
Alabama	$2,070	$3,174	$1,577	$281	$7,101
Alaska	357	549	325	30	1,261
Arizona	2,079	6,058	3,647	428	12,211
Arkansas	1,062	1,773	1,255	98	4,187
California	14,603	29,173	13,376	2,400	59,552
Colorado	2,235	5,701	3,405	764	12,106
Connecticut	2,489	6,073	2,528	7,610	18,699
Delaware	1,269	2,826	459	31,508	36,062
District of Columbia	381	1,313	619	210	2,522
Florida	8,138	23,327	11,592	1,186	44,243
Georgia	4,461	7,312	6,191	933	18,896
Hawaii	666	1,639	907	97	3,309
Idaho	499	1,138	611	56	2,304
Illinois	6,517	13,045	6,275	1,647	27,484
Indiana	2,658	7,380	3,950	728	14,717
Iowa	1,818	5,675	1,512	8,359	17,364
Kansas	1,355	2,793	3,341	476	7,965
Kentucky	1,542	4,110	2,419	277	8,347
Louisiana	2,156	3,926	2,010	254	8,346
Maine	442	1,560	877	65	2,944
Maryland	2,879	6,647	2,926	1,068	13,519
Massachusetts	4,943	12,055	2,873	1,154	21,025
Michigan	4,026	22,163	3,935	1,080	31,205
Minnesota	3,986	7,173	1,902	728	13,789
Mississippi	1,167	1,604	1,895	120	4,785
Missouri	2,585	7,784	3,733	742	14,845
Montana	341	668	477	54	1,541
Nebraska	1,071	2,002	1,259	487	4,820
Nevada	846	1,783	1,330	250	4,209
New Hampshire	622	1,848	635	132	3,237
New Jersey	6,111	13,554	5,392	3,164	28,221
New Mexico	633	1,309	915	113	2,970
New York	11,090	32,291	7,343	29,350	80,073
North Carolina	4,422	10,707	4,962	1,018	21,110
North Dakota	397	743	339	55	1,534
Ohio	5,030	13,791	8,181	2,962	29,963
Oklahoma	1,341	2,396	1,854	186	5,776
Oregon	1,158	3,548	1,816	237	6,758
Pennsylvania	6,379	25,084	5,727	3,010	40,200
Rhode Island	464	1,372	709	120	2,665
South Carolina	1,950	3,927	2,278	228	8,383
South Dakota	643	723	439	54	1,860
Tennessee	2,734	6,093	2,966	394	12,187
Texas	10,157	19,112	14,889	1,425	45,584
Utah	1,292	2,264	1,131	225	4,911
Vermont	242	856	323	66	1,487
Virginia	3,965	8,029	4,361	808	17,164
Washington	2,272	5,465	2,799	350	10,886
West Virginia	639	1,470	1,312	127	3,547
Wisconsin	2,674	6,845	4,462	723	14,703
Wyoming	276	439	362	33	1,110
Total U.S.	143,133	352,285	160,401	107,868	763,686
Other[2]	17,540	4,511	18,146	264	40,461
Aggregate total	160,673	356,796	178,547	108,132	804,147

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, 2012 (thousands)

	Farm	Non-farm	Total
Alabama	$704,189	$1,451,260	$2,155,448
Alaska	3,751	204,783	208,534
Arizona	100,814	6,900,990	7,001,804
Arkansas	1,025,803	316,909	1,342,712
California	4,858,488	66,611,477	71,469,965
Colorado	145,790	6,299,138	6,444,928
Connecticut	1,160	2,654,092	2,655,252
Delaware	12,829	844,821	857,650
District of Columbia	-	10,062,182	10,062,182
Florida	1,070,842	19,653,742	20,724,584
Georgia	423,559	10,819,559	11,243,118
Hawaii	3,677	1,114,580	1,118,257
Idaho	625,892	678,636	1,304,528
Illinois	722,683	15,978,524	16,701,207
Indiana	607,451	2,850,433	3,457,884
Iowa	578,437	862,156	1,440,594
Kansas	134,885	1,649,661	1,784,547
Kentucky	42,482	1,803,988	1,846,470
Louisiana	130,864	796,247	927,111
Maine	269,739	480,359	750,098
Maryland	9,575	10,166,263	10,175,837
Massachusetts	-	7,895,152	7,895,152
Michigan	73,138	3,848,683	3,921,821
Minnesota	338,357	5,211,113	5,549,470
Mississippi	644,888	649,435	1,294,323
Missouri	241,837	3,195,042	3,436,879
Montana	276,020	122,740	398,759
Nebraska	550,806	1,272,505	1,823,311
Nevada	13,004	3,041,018	3,054,022
New Hampshire	10,213	537,814	548,027
New Jersey	33,433	14,372,933	14,406,366
New Mexico	144,194	892,617	1,036,811
New York	50,899	26,450,953	26,501,852
North Carolina	95,601	7,636,887	7,732,489
North Dakota	30,729	145,727	176,456
Ohio	182,527	7,142,450	7,324,977
Oklahoma	115,066	891,658	1,006,725
Oregon	968,213	5,026,773	5,994,985
Pennsylvania	158,133	8,700,004	8,858,137
Rhode Island	-	270,602	270,602
South Carolina	211,977	2,177,436	2,389,414
South Dakota	274,124	124,650	398,775
Tennessee	51,665	4,292,647	4,344,311
Texas	498,162	31,046,002	31,544,164
Utah	36,358	3,360,970	3,397,328
Vermont	-	88,054	88,054
Virginia	115,226	10,965,454	11,080,680
Washington	714,048	11,115,317	11,829,365
West Virginia	125,936	264,133	390,069
Wisconsin	137,413	2,655,717	2,793,130
Wyoming	103,544	54,672	158,216
Total U.S.	17,668,423	325,648,957	343,317,380
Other[1]	439,203	10,296,819	10,736,023
Aggregate total	18,107,627	335,945,776	354,053,402

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, 2012 (thousands)

Alabama	$91,852	Nebraska	$271,989
Alaska	25,039	Nevada	214,932
Arizona	741,132	New Hampshire	18,698
Arkansas	42,739	New Jersey	1,182,510
California	6,701,526	New Mexico	8,921
Colorado	288,268	New York	1,273,739
Connecticut	955,671	North Carolina	463,487
Delaware	26,697	North Dakota	5,895
District of Columbia	816,986	Ohio	202,316
Florida	2,234,087	Oklahoma	52,989
Georgia	1,100,444	Oregon	202,172
Hawaii	79,894	Pennsylvania	468,261
Idaho	30,908	Rhode Island	59,786
Illinois	1,707,100	South Carolina	89,292
Indiana	197,137	South Dakota	20,316
Iowa	416,618	Tennessee	435,328
Kansas	144,131	Texas	2,269,283
Kentucky	51,847	Utah	55,700
Louisiana	296,388	Vermont	51,582
Maine	70,834	Virginia	1,160,727
Maryland	123,015	Washington	2,399,604
Massachusetts	1,743,359	West Virginia	-
Michigan	295,456	Wisconsin	433,509
Minnesota	405,804	Wyoming	13,734
Mississippi	113,340		
Missouri	154,738	Total U.S.	30,209,781
Montana	-		
		Other[1]	349,157
		Aggregate total	30,558,938

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 in 2012 is made up of 868 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, 2012 (thousands)

MetLife, Inc.	$562,190,660
Prudential Financial	491,001,341
Manulife Financial	252,189,338
American International Group	247,093,925
TIAA-CREF	242,281,217
New York Life	237,976,564
Hartford Life, Inc.	213,631,737
Northwestern Mutual	202,532,855
Lincoln Financial	192,199,832
ING North America	187,728,782
AEGON USA,LLC	184,487,201
Massachusetts Mutual	167,575,155
AXA Financial	159,188,850
Jackson National	143,272,557
Principal Financial	130,105,082
AFLAC	116,070,447
Nationwide	112,915,378
Pacific Life	105,842,189
RiverSource Insurance	102,238,232
Allianz	96,486,951
Thrivent Financial For Lutherans	71,708,434
Genworth Financial	68,896,886
Sun Life Assurance	63,280,378
Allstate	61,721,956
State Farm	59,063,762

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, 2012.

Table 11.2

Largest Life Insurers, by General Account Assets, 2012 (thousands)	
MetLife, Inc.	$332,990,950
TIAA-CREF	222,071,319
New York Life	200,732,549
Prudential Financial	193,610,197
American International Group	189,650,475
Northwestern Mutual	181,156,633
AFLAC	115,866,150
Massachusetts Mutual	109,451,259
Manulife Financial	108,505,550
Lincoln Financial	94,040,002
AEGON USA,LLC	91,439,419
ING North America	87,915,020
Allianz	70,394,807
Jackson National	63,138,112
Hartford Life, Inc.	61,089,090
Principal Financial	60,130,619
AXA Financial	60,032,333
Genworth Financial	58,445,471
State Farm	57,727,295
Allstate	54,574,512
Thrivent Financial For Lutherans	54,041,932
Aviva Group	52,154,049
Pacific Life	50,424,976
Sammons Financial	43,253,880
Guardian	42,683,632

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, 2012.

Table 11.3

Largest Life Insurers, by Separate Account Assets, 2012 (thousands)

Prudential Financial	$297,391,145
MetLife, Inc.	229,199,709
Hartford Life, Inc.	152,542,647
Manulife Financial	143,683,789
ING North America	99,813,762
AXA Financial	99,156,517
Lincoln Financial	98,159,830
AEGON USA,LLC	93,047,782
Jackson National	80,134,445
Nationwide	72,440,029
Principal Financial	69,974,463
RiverSource Insurance	69,576,243
Massachusetts Mutual	58,123,896
American International Group	57,443,450
Pacific Life	55,417,213
New York Life	37,244,015
Sun Life Assurance	34,320,506
Allianz	26,092,144
Great West	24,751,285
Northwestern Mutual	21,376,222
TIAA-CREF	20,209,898
Fidelity Investments	20,088,049
Thrivent Financial For Lutherans	17,666,502
Ohio National	15,252,914
Minnesota Mutual	15,179,986

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, 2012.

Table 11.4

Largest Life Insurers, by Individual Net Life Insurance Premiums, 2012 (thousands)

Northwestern Mutual	$11,907,922
MetLife, Inc.	7,342,780
New York Life	7,174,481
AFLAC	5,305,810
Prudential Financial	5,009,500
Massachusetts Mutual	4,389,597
State Farm	4,105,550
Guardian	3,370,771
Lincoln Financial	3,138,471
AXA Financial	3,106,143
Berkshire Hathaway	2,517,692
Manulife Financial	2,479,396
American International Group	2,381,159
RGA Group	2,111,600
Pacific Life	2,073,120
AEGON USA,LLC	1,868,303
Thrivent Financial For Lutherans	1,601,335
Allstate	1,600,163
Hartford Life, Inc.	1,489,127
Sammons Financial	1,392,755
Principal Financial	1,324,484
Western and Southern Financial	1,288,668
Torchmark	1,285,476
Aviva Group	1,278,262
Swiss Re America	1,232,987

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, 2012. Figures are net of reinsurance.

Table 11.5

Largest Life Insurers, by Group Net Life Insurance Premiums, 2012 (thousands)	
Prudential Financial	$5,846,260
MetLife, Inc.	5,589,195
New York Life	2,081,309
CIGNA	1,439,736
Minnesota Mutual	1,403,507
Massachusetts Mutual	843,102
UNUM	719,297
Lincoln Financial	687,721
StanCorp Financial	665,204
Sun Life Assurance	596,243
Aetna	594,196
Hartford Life, Inc.	572,832
Nationwide	565,592
Assurant, Inc.	454,097
Homesteaders Life Company	393,295
Torchmark	389,153
Guardian	383,101
Principal Financial	327,811
Mutual of Omaha	302,221
HCSC	300,109
Wellpoint, Inc.	294,423
Forethought Financial	264,933
National Guardian Life Insurance Group	252,636
American International Group	206,792
AEGON USA,LLC	202,214

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, 2012. Figures are net of reinsurance.

Table 11.6

Largest Life Insurers, by Total Net Life Insurance Premiums, 2012 (thousands)	
MetLife, Inc.	$13,035,959
Northwestern Mutual	11,907,922
Prudential Financial	10,855,760
New York Life	9,255,790
AFLAC	5,321,309
Massachusetts Mutual	5,232,699
State Farm	4,163,768
Lincoln Financial	3,826,192
Guardian	3,753,872
AXA Financial	3,112,816
American International Group	2,588,007
Berkshire Hathaway	2,543,269
Manulife Financial	2,539,250
Minnesota Mutual	2,455,262
RGA Group	2,157,547
AEGON USA,LLC	2,098,263
Pacific Life	2,073,083
Hartford Life, Inc.	2,061,958
Torchmark	1,674,628
Allstate	1,657,447
Principal Financial	1,652,296
Nationwide	1,642,099
Thrivent Financial For Lutherans	1,601,335
Sammons Financial	1,418,862
Mutual of Omaha	1,365,844

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, 2012. Figures are net of reinsurance.

Table 11.7

Largest Life Insurers, by Individual Direct Life Insurance Premiums, 2012 (thousands)

Northwestern Mutual	$12,708,421
MetLife, Inc.	11,458,144
New York Life	7,793,321
Prudential Financial	6,311,094
Manulife Financial	5,624,807
AFLAC	5,319,967
Lincoln Financial	5,173,776
Massachusetts Mutual	4,974,011
State Farm	4,106,274
AEGON USA,LLC	3,839,880
Guardian	3,590,777
AXA Financial	3,515,230
American International Group	3,355,782
Pacific Life	2,736,964
ING North America	2,557,277
Protective Life	2,427,257
Genworth Financial	2,097,591
Allstate	2,041,764
Primerica	1,975,604
Hartford Life, Inc.	1,891,505
Sammons Financial	1,889,651
Principal Financial	1,747,546
Thrivent Financial For Lutherans	1,685,277
Aviva Group	1,580,252
Torchmark	1,415,807

Source: ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.
Notes: NAIC does not endorse any analysis or conclusions based on use of its data. Group totals represent a collection of life insurers based on organizational structure. Data are as of December 31, 2012.

Table 11.8

Largest Life Insurers, by Group Direct Life Insurance Premiums, 2012 (thousands)

MetLife, Inc.	$8,029,447
Prudential Financial	6,564,946
New York Life	1,692,275
Minnesota Mutual	1,674,144
CIGNA	1,513,446
Hartford Life, Inc.	1,379,041
UNUM	1,219,975
Aetna	966,591
Massachusetts Mutual	896,516
StanCorp Financial	810,493
Lincoln Financial	684,465
Sun Life Assurance	666,067
Nationwide	586,649
ING North America	465,902
Assurant, Inc.	457,810
Tokio Marine Group	455,733
Torchmark	409,232
Homesteaders Life Company	394,688
Guardian	385,482
Principal Financial	331,698
HCSC	308,843
AEGON USA,LLC	306,479
Mutual of Omaha	302,702
Wellpoint, Inc.	299,865
CUNA Mutual	289,732

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, 2012.

Table 11.9

Largest Life Insurers, by Total Direct Life Insurance Premiums, 2012 (thousands)	
MetLife, Inc.	$19,657,199
Prudential Financial	12,876,040
Northwestern Mutual	12,708,421
New York Life	9,485,595
Massachusetts Mutual	5,870,528
Lincoln Financial	5,858,241
Manulife Financial	5,665,977
AFLAC	5,336,212
AEGON USA,LLC	4,185,112
State Farm	4,164,491
Guardian	3,976,260
American International Group	3,595,428
AXA Financial	3,521,906
Hartford Life, Inc.	3,270,547
ING North America	3,023,179
Minnesota Mutual	2,857,632
Pacific Life	2,736,964
Protective Life	2,473,305
Allstate	2,139,417
Genworth Financial	2,115,638
Principal Financial	2,079,244
Primerica	1,978,107
Sammons Financial	1,926,287
Nationwide	1,900,883
CIGNA	1,884,020

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, 2012.

Table 11.10

Largest Life Insurers, by Individual Life Insurance Issued, 2012 (thousands)	
Northwestern Mutual	$131,551,630
MetLife, Inc.	111,121,485
New York Life	89,161,534
Legal & General	83,665,933
State Farm	78,592,424
ING North America	73,919,084
Prudential Financial	71,771,467
Primerica	59,647,419
American International Group	57,235,653
AEGON USA,LLC	56,863,390
Genworth Financial	47,343,784
Allstate	44,301,074
Massachusetts Mutual	43,059,714
Lincoln Financial	40,909,541
AXA Financial	38,855,946
AFLAC	37,252,179
Manulife Financial	33,202,307
USAA	31,151,083
Guardian	30,920,160
Principal Financial	29,544,676
Torchmark	24,285,736
Zurich Financial	24,055,642
Sammons Financial	20,732,354
Protective Life	19,360,738
Pacific Life	18,721,525

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, 2012.

Table 11.11

Largest Life Insurers, by Group Life Insurance Issued, 2012 (thousands)

MetLife, Inc.	$138,827,577
UNUM	84,694,197
CIGNA	79,239,511
Minnesota Mutual	78,205,399
Lincoln Financial	72,102,233
Aetna	71,327,940
Prudential Financial	67,919,289
UnitedHealth	66,034,361
Hartford Life, Inc.	56,818,468
Sun Life Assurance	53,628,402
StanCorp Financial	43,524,189
Tokio Marine Group	35,445,406
Guardian	34,401,506
ING North America	32,117,256
Mutual of Omaha	23,369,211
Torchmark	19,899,475
Principal Financial	16,975,986
HCSC	16,600,307
Liberty Mutual	12,516,706
Assurant, Inc.	10,725,893
Arkansas Blue Cross & Blue Shield	10,303,594
New York Life	9,373,577
AAA Life Insurance Company	8,554,382
Wellpoint, Inc.	7,822,075
HUMANA	5,954,991

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, 2012.

Table 11.12

Largest Life Insurers, by Total Life Insurance Issued, 2012 (thousands)

MetLife, Inc.	$250,589,831
Prudential Financial	139,690,756
Northwestern Mutual	131,551,630
Lincoln Financial	113,011,774
ING North America	106,036,340
Minnesota Mutual	100,258,471
New York Life	98,535,111
UNUM	96,416,371
Legal & General	83,682,188
CIGNA	79,395,740
State Farm	78,774,500
Hartford Life, Inc.	72,909,296
Aetna	71,541,077
UnitedHealth	66,128,253
Guardian	65,321,666
AEGON USA,LLC	62,256,000
American International Group	61,303,031
Primerica	59,686,586
Sun Life Assurance	54,055,476
Genworth Financial	47,344,699
Massachusetts Mutual	46,666,232
Principal Financial	46,520,662
Allstate	45,864,362
Torchmark	44,185,211
StanCorp Financial	43,532,533

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, 2012.

Table 11.13

Largest Life Insurers, by Individual Life Insurance in Force, 2012 (thousands)

Northwestern Mutual	$905,680,076
State Farm	761,343,806
American International Group	689,838,392
New York Life	599,581,212
Berkshire Hathaway	548,492,858
RGA Group	547,460,333
MetLife, Inc.	467,920,826
Swiss Re America	453,076,195
AXA Financial	405,870,495
Munich American Holding	319,466,164
Prudential Financial	287,071,407
Allstate	258,523,859
Genworth Financial	242,984,994
AEGON USA,LLC	213,805,830
Lincoln Financial	196,135,028
Guardian	171,573,642
AFLAC	168,191,452
Hartford Life, Inc.	157,001,666
Massachusetts Mutual	156,491,823
Manulife Financial	141,373,906
Jackson National	140,249,602
Generali Group	136,009,916
Thrivent Financial For Lutherans	133,041,878
Protective Life	125,005,972
Nationwide	109,404,259

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, 2012. Amounts exclude reinsurance ceded.

Table 11.14

Largest Life Insurers, by Group Life Insurance in Force, 2012 (thousands)

Prudential Financial	$1,979,935,138
MetLife, Inc.	1,420,680,196
Minnesota Mutual	571,430,760
CIGNA	458,281,723
New York Life	375,714,254
Lincoln Financial	332,991,514
UNUM	266,601,680
Sun Life Assurance	260,026,319
Aetna	244,758,764
StanCorp Financial	211,355,328
Hartford Life, Inc.	167,660,337
Guardian	160,392,380
UnitedHealth	140,747,983
Mutual of Omaha	129,875,204
Principal Financial	114,740,988
HCSC	102,640,892
Liberty Mutual	94,108,176
Wellpoint, Inc.	75,892,799
American International Group	66,366,159
Assurant, Inc.	64,998,832
Arkansas Blue Cross & Blue Shield	52,833,308
Tokio Marine Group	39,681,096
Great West	38,670,635
HUMANA	36,287,899
Nationwide	35,841,989

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, 2012. Amounts exclude reinsurance ceded.

Table 11.15

Largest Life Insurers, by Total Life Insurance in Force, 2012 (thousands)

Prudential Financial	$2,267,007,015
MetLife, Inc.	1,899,966,688
New York Life	975,295,466
Northwestern Mutual	907,000,763
State Farm	774,527,479
American International Group	756,209,872
Minnesota Mutual	630,619,081
Berkshire Hathaway	578,632,295
RGA Group	568,764,198
Lincoln Financial	529,126,542
Swiss Re America	483,470,335
CIGNA	471,532,998
AXA Financial	407,484,995
Munich American Holding	333,210,052
Guardian	331,966,022
UNUM	324,971,929
Hartford Life, Inc.	324,662,003
Sun Life Assurance	285,305,516
Allstate	264,524,092
Aetna	245,516,321
Genworth Financial	244,517,004
AEGON USA,LLC	237,038,064
StanCorp Financial	211,388,232
Massachusetts Mutual	191,837,437
Mutual of Omaha	191,291,410

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, 2012. Amounts exclude reinsurance ceded.

Table 11.16

Largest Life Insurers, by Individual Net Annuity Considerations, 2012 (thousands)	
Jackson National	$20,094,222
MetLife, Inc.	19,525,547
Prudential Financial	19,385,864
Lincoln Financial	11,325,964
Allianz	8,264,966
American International Group	7,249,036
New York Life	7,096,031
Nationwide	5,945,402
TIAA-CREF	5,826,915
AXA Financial	5,765,178
Pacific Life	5,720,441
RiverSource Insurance	5,460,140
AEGON USA,LLC	5,351,427
Guggenheim Group	4,497,668
Aviva Group	4,162,363
American Equity Investment Group	3,517,645
Protective Life	3,355,364
Thrivent Financial For Lutherans	3,182,848
American Financial	3,114,471
RGA Group	2,715,168
Ohio National	2,709,646
Sammons Financial	2,591,410
Massachusetts Mutual	2,287,927
Fidelity Investments	1,879,419
ING North America	1,856,493

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, 2012. Figures are net of reinsurance and exclude deposit-type funds and supplementary contracts.

Table 11.17

Largest Life Insurers, by Group Net Annuity Considerations, 2012 (thousands)	
Prudential Financial	$41,678,739
MetLife, Inc.	17,242,416
ING North America	17,014,460
Massachusetts Mutual	12,691,766
AEGON USA,LLC	9,976,079
Manulife Financial	9,922,910
American International Group	5,536,412
New York Life	5,175,680
Great West	4,506,471
TIAA-CREF	4,439,983
Lincoln Financial	3,287,210
AXA Financial	3,245,542
Nationwide	3,231,512
Jackson National	2,798,573
Hartford Life, Inc.	2,532,271
OneAmerica Financial	2,312,831
Berkshire Hathaway	1,509,892
Minnesota Mutual	1,425,520
StanCorp Financial	1,296,883
Mutual of America	1,194,992
Aetna	1,107,043
CUNA Mutual	845,857
Principal Financial	815,955
Ameritas	549,385
Sammons Financial	507,399

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, 2012. Figures are net of reinsurance and exclude deposit-type funds and supplementary contracts.

Table 11.18

Largest Life Insurers, by Total Net Annuity Considerations, 2012 (thousands)	
Prudential Financial	$61,064,603
MetLife, Inc.	36,767,962
Jackson National	22,892,795
ING North America	18,870,953
AEGON USA,LLC	15,327,506
Massachusetts Mutual	14,979,692
Lincoln Financial	14,613,174
American International Group	12,785,448
New York Life	12,271,711
TIAA-CREF	10,266,898
Nationwide	9,176,914
AXA Financial	9,010,720
Allianz	8,264,966
Pacific Life	5,914,187
RiverSource Insurance	5,586,736
Guggenheim Group	4,810,131
Great West	4,583,305
Aviva Group	4,377,133
American Equity Investment Group	3,517,645
Manulife Financial	3,408,538
Protective Life	3,359,598
Thrivent Financial For Lutherans	3,182,848
American Financial	3,174,602
Sammons Financial	3,098,809
Hartford Life, Inc.	2,870,499

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, 2012. Figures are net of reinsurance and exclude deposit-type funds and supplementary contracts.

Table 11.19

Largest Life Insurers, by Individual Direct Annuity Considerations, 2012 (thousands)

MetLife, Inc.	$20,532,340
Prudential Financial	20,072,144
Jackson National	19,822,333
Lincoln Financial	11,884,376
Allianz	8,784,972
New York Life	7,096,031
American International Group	6,972,904
Nationwide	5,958,354
Pacific Life	5,934,284
TIAA-CREF	5,826,915
AXA Financial	5,812,184
Guggenheim Group	5,669,349
RiverSource Insurance	5,460,143
AEGON USA,LLC	5,429,860
Aviva Group	3,918,646
American Equity Investment Group	3,828,734
Protective Life	3,368,437
Thrivent Financial For Lutherans	3,182,848
American Financial	2,921,526
Sammons Financial	2,871,804
Ohio National	2,846,039
Massachusetts Mutual	2,287,776
ING North America	2,002,251
Fidelity Investments	1,897,010
Principal Financial	1,830,693

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, 2012. 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 7.4 in 2011 (Table 12.1). The death rate among males dropped from 19.8 to 8.7 over this period, and among females, from 16 to 6.3.

Life expectancy at age 25 is currently 52.5 years for males and 56.9 years for females (Table 12.2). A man who retired in 2011 at age 65 could expect to live 17.8 years more on average, while a 65-year-old woman could expect to live another 20.4 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 2011.

Because of increased longevity, the last fourteen 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
2011*	8.7	6.3	7.4

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.

*2011 data are preliminary.

Table 12.2

Life Expectancy, by Age and Gender, 1900–2011

	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, 1900–2011—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, 1900–2011—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, 1900–2011—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, 1900–2011—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, 1900–2011—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, 1900–2011—Continued

	Age	Male	Female	Total
2009	Newborn	76.0	80.9	78.6
	1	75.6	80.4	78.1
	5	71.6	66.6	74.2
	15	61.7	71.5	64.3
	25	52.3	56.8	54.7
	35	43.0	47.1	45.2
	45	33.8	37.7	35.9
	55	25.4	28.7	27.2
	65	17.7	20.3	19.2
	75	11.0	12.9	12.2
	85	5.9	7.0	6.6
	100	2.1	2.4	2.4
	Age	**Male**	**Female**	**Total**
2010	Newborn	76.2	81.0	78.7
	1	75.7	80.5	78.1
	5	71.8	76.6	74.2
	15	61.9	66.6	64.3
	25	52.4	56.9	54.7
	35	43.1	47.2	45.2
	45	33.9	37.7	35.9
	55	25.4	28.8	27.2
	65	17.7	20.3	19.1
	75	11.0	12.9	12.1
	85	5.8	6.9	6.5
	100	2.1	2.3	2.3
	Age	**Male**	**Female**	**Total**
2011*	Newborn	76.3	81.1	78.7
	1	75.8	80.5	78.2
	5	71.9	76.6	74.3
	15	62.0	66.7	64.4
	25	52.5	56.9	54.8
	35	43.2	47.2	45.3
	45	34.0	37.8	36.0
	55	25.5	28.8	27.2
	65	17.8	20.4	19.2
	75	11.0	12.9	12.1
	85	5.9	6.9	6.5
	100	2.1	2.3	2.3

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.

*2011 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 2013)

A

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B

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

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

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

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

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

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

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

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

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

C

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

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

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

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

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

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

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

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

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

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

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

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

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

D

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E

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

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

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 are its inability to pass the financial tests regulators routinely administer.

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

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

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

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

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

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

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

J

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

K

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

L

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

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

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

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

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

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

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

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

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

M

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

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

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

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

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

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

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

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

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

N

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

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

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

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

O

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

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

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

P

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

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

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

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

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

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

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

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

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

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

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

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

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

Premium loan A policy loan for paying premiums.

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

Q

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

R

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

S

Self-insured plan A retirement plan funded through a fiduciary—generally a bank but sometimes a group of people—which directly invests the accumulated funds. Retirement payments are made from these funds as they fall due. Also known as 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 (i.e., a policy could be voided by an insurer if information given by a policyholder is proven untrue).

W

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

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

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

B HISTORIC DATES
(AS OF SEPTEMBER 2013)

1759 The first life insurance company in the United States—The Corporation for Relief of the Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers—is established in Philadelphia by the Synod of the Presbyterian Church.

1769 Benjamin Franklin said: “A policy of life assurance is the cheapest and safest mode of making certain provision for one’s family. It is time our people understood and practiced more generally life assurance. Many a widow and orphan have great reason to be thankful that the advantage of life assurance was understood and embraced by the husband and father. A large amount has been paid… to widows and orphans when it formed almost their only recourse.”

1777 The Corporation for Relief of Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers voted to lend the Continental Loan Office 5,000 pounds, which amounted to over half the Corporation’s total reserves. This loan was used to finance the war effort of the Continental Army during the American Revolution.

1789 Professor Edward Wigglesworth of Harvard prepares a modified table of mortality based on Massachusetts experience, the first computation of premiums and reserves on a scientific basis in the United States.

1794 The Insurance Company of North America is chartered as the first general insurance company to sell life insurance in America. In five years, only six policies are issued, and the company discontinues its life insurance business in 1804.

1812 The Pennsylvania Company for Insurance on Lives and Granting Annuities is incorporated, the first corporation to be organized in America solely for issuing life insurance policies and annuities. The first policy is issued in 1813. The company discontinues issuing life policies in 1872.

1830 New York Life Insurance and Trust Company, the first American life insurance company to employ agents, is started. The company later discontinues its life insurance business and subsequently is merged with the Bank of New York.

1835 A charter is granted to New England Mutual Life Insurance Company of Boston—the first to a mutual company in America. The company begins operating in December 1843.

1836 The Girard Life Insurance, Annuity and Trust Company of Philadelphia is established on the new principle of granting policyholders participation in profits. The first policy dividends are allotted in 1844 as additions of insurance to policies in force three or more years. Initially a stock company, the insurer later becomes a trust company.

1840 The New York Legislature passes a bill providing that the proceeds of a policy made out to a widow as beneficiary must be paid to her, exempt from creditors' claims. Enacted into law, this measure strengthens the protective power of life insurance policies.

1842 The Mutual Life Insurance Company of New York is chartered. The company's first policy is issued February 1, 1843, marking the beginning of mutual life insurance as it is known today.

1848 The first policy loans are granted.

1849 New York passes the first general insurance law.

1851 New Hampshire establishes the first regulatory body to examine the affairs of insurance companies.

1853 Policy valuation tables, which Elizur Wright developed over nine years, are published.

1857 New York City establishes a pension fund for its policemen, the first pension plan covering state or local government employees.

1859 New York establishes the first state insurance department.

1861 Massachusetts is the first state to require nonforfeiture values as part of life policies.

The first war risk insurance is written by life insurance companies during the Civil War.

1864 The Manhattan Life Insurance Company is the first U.S. company to write an incontestable clause into a policy.

1866 The Treasury Department rules that death benefits from a life insurance policy are not subject to an income tax enacted in 1862 to fund the Civil War.

1868 The American Experience Table of Mortality is published as part of a New York law. Covering experience from 1843 to 1858, it remains the table most widely used by American companies until the 1940s.

1869 The U.S. Supreme Court holds insurance not to be a transaction in commerce, and affirms the validity of state regulation of insurance.

The earliest organization of life insurance agents is recorded in Chicago.

1871 The first convention of state insurance commissioners is held in New York City.

1873 The first weekly premium policy is issued in the United States.

1875 The industrial insurance agency system is introduced in the United States.

The first pension plan in U.S. industry is established by the American Express Company, financed solely by the employer.

1880 The first formal pension plan supported jointly by employer and employee contributions is established by the Baltimore & Ohio Railroad Company.

Cash surrender values are first established by law in Massachusetts.

1892 Columbia University adopts a pension plan for its professors, the first private college retirement plan, effective at age 65 with a minimum of 15 years' service.

1893 The first pension plan for public school teachers is established in Chicago.

1901 Carnegie Steel Company establishes the first enduring pension plan in a manufacturing company. This plan, with some modifications, is taken over by the United States Steel Company in 1911.

1905 The first functioning trade union pension plan is established by the Granite Cutters. Earlier trade union plans, set up by the Pattern Makers (1900) and National Association of Letter Carriers (1902), never paid benefits before dissolution.

The Armstrong investigation of life insurance by the New York Legislature results in many changes in insurance laws.

1911 The first group life insurance for employees is introduced.

1913 Modern tax code enacted: maintains public policy of exempting benefits from a life insurance policy.

1917 Government-sponsored life insurance for World War I servicemen is offered under the War Risk Insurance Act. This program subsequently becomes known as U.S. Government Life Insurance.

1920 Congress creates the Federal Civil Service Retirement and Disability Fund.

1921 Metropolitan Life Insurance Company issues the first group annuity contract in the United States.

The Revenue Act makes employer contributions to profit-sharing trusts tax-exempt. Its provisions are extended to pension trusts in 1926.

1928 The first examinations are held for chartered life underwriters.

1935 The Social Security Act is enacted.

The Railroad Retirement System is established. It is amended in 1937 to create a unified system for the industry.

1939 The temporary National Economic Committee begins an investigation of the life insurance business.

1940	Congress adopts the National Service Life Insurance Act, providing insurance for men and women in service in World War II.
1941	New York forms the first state guaranty association mechanism for life and health insurance companies.
1944	The U.S. Supreme Court holds that insurance is commerce, and that when conducted across state lines, it is interstate commerce and subject to federal laws.
1945	The McCarran-Ferguson Act declares that state regulation of insurance is in the public interest and grants an exemption from antitrust laws to the extent that the business is regulated by state law.
1949	The U.S. Supreme Court rules that employers are required to bargain on pensions.
1952	The College Retirement Equities Fund is established as the first variable annuity fund.
1954	The Participating Annuity Life Insurance Company offers the first variable annuity contracts to the general public.
	The Federal Employees' Group Life Insurance Act is introduced, providing group life insurance and accidental death and dismemberment insurance to civilian officers and employees of the U.S. government through private insurance companies.
1959	Arkansas is the first state to pass laws permitting life insurance companies to issue variable annuities and authorizing the establishment of separate accounts.
Early 1960s	Most states now have laws specifically allowing life insurance companies to maintain separate accounts, freeing pension fund investments from some of the limitations applied to companies' general accounts.
1962	H.R. 10 (Keogh Act), officially known as the Self-Employed Individual Retirement Act, is adopted.
1963–64	The Securities and Exchange Commission rules that separate account acquisitions are an issuance of securities subject to regulation under the Securities Act, but tax-qualified group pension plans, including variable annuities, are exempted from the act's registration and prospectus requirements.
1965	The Servicemen's Group Life Insurance Act is introduced, providing members on active duty in the uniformed services with group life insurance underwritten by private insurers through a contract with the Veterans Administration.
1974	The Employee Retirement Income Security Act (ERISA) is signed into law. ERISA primarily protects the benefits of participants in private plans, assures reasonable vesting provisions, and broadens the opportunity to set up plans for the self-employed and workers who have no private retirement plans.
1976	The first individual variable life insurance policy is issued in the United States.

1977 The first universal life insurance policy is issued in the United States.

1978 The Age Discrimination in Employment Act Amendments raise the mandatory retirement age from 65 to 70 for most private-sector and state and local government employees, and eliminate it for federal employees.

1981 The Economic Recovery Tax Act is signed into law. It allows all workers to claim tax deductions, within limits, for retirement savings; liberalizes tax deductions for retirement savings, interest, and dividend exclusions; and reduces or eliminates estate and gift taxes for most individuals.

1982 The Tax Equity and Fiscal Responsibility Act revises the life insurance company taxation formula and repeals the use of modified coinsurance in tax calculations; imposes a penalty tax on certain annuity withdrawals; places limitations on pension plan benefits; and imposes additional restrictions on certain plans.

1983 The U.S. Supreme Court decides in *Arizona Governing Committee for Tax-Deferred Annuity and Deferred Compensation Plans v. Norris* that employee retirement benefits based on contributions made after August 1, 1983, must be calculated without regard to the employee's gender.

The Social Security Amendments increase Social Security taxes and make a portion of Social Security benefits taxable for high-income retirees; limit cost-of-living adjustments under some circumstances; make new federal employees, members of Congress, the president, and other federal officials subject to Social Security taxes; and gradually increase the retirement age to 67 by 2027.

1984 The Retirement Equity Act lowers the minimum age for vesting and participation in retirement plans; requires the spouse's written consent before joint and survivor coverage may be waived under pension plans; and requires payment of a survivor annuity if a vested participant dies before the annuity's starting date.

The Tax Reform Act significantly changes the basis on which life insurance companies are taxed and includes universal life insurance within the definition of life insurance, preserving its positive tax treatment.

1985 Montana becomes the first state to forbid gender discrimination in the setting of premium rates for all types of insurance, effective October 1.

1986 The Tax Reform Act eliminates the tax deductibility of individual retirement account (IRA) contributions for highly paid persons covered by pension plans; reduces the maximum contribution to salary reduction [401(k)] plans; and limits the deductibility of interest paid on loans against corporate-owned life insurance policies.

1987 The Revenue Act establishes faster funding requirements for underfunded pension plans, a variable-rate Pension Benefit Guaranty Corp. premium, and a lower full-funding limitation for qualified plans.

1988 The Technical and Miscellaneous Revenue Act creates a new class of life insurance contract—in which policy loans and surrender payments are subject to taxation similar to that of deferred annuities—and increases the excise tax on excess pension assets upon termination of qualified plans.

1990 A significant federal tax is imposed on life insurers' deferred acquisition costs. It becomes known as the DAC tax.

1991 All 50 states and Puerto Rico now have life and health insurance company guaranty association mechanisms.

1993 The Omnibus Budget Reconciliation Act reduces the amount of annual compensation for calculating retirement benefits to $150,000 from $235,840.

In *John Hancock v. Harris Trust and Savings Bank,* the U.S. Supreme Court rules that certain assets in John Hancock Life Insurance Company's general account are "plan assets" and that the company's actions regarding their management and disposition must be judged against ERISA's fiduciary standards.

1995 In *NationsBank v. Variable Annuity Life Insurance Company,* the U.S. Supreme Court rules that annuities are not a form of insurance under the National Bank Act, effectively allowing national banks to sell annuities without limitation.

The Internal Revenue Service states in proposed regulations that bank-issued, hybrid CD-annuities are taxable to purchasers.

1996 The Small Business Job Protection Act (SBA) amends ERISA to clarify the U.S. Supreme Court's decision in John Hancock v. Harris Trust and Savings Bank and 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 percent 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 SEPTEMBER 2013)

■ **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: Cecil D. Bykerk

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: John D. Johns (Protective Life Corporation) (thru October 2014)

Chairman-Elect: Roger W. Crandall (MassMutual)
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: William B. McKinney
Vice-Chair: Harald E. Borrmann

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: Barry Max Levy
President-Elect: David M. Lipkin

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)**
1155 15th Street, NW
Suite 500
Washington, DC 20005
(202) 962-0167
President: Lee Janecek
Executive Vice President: Norm Leblond

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: Patricia A. Rotello
President-Elect: John J. Schubert

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: Kris Nelson
President: Todd Schubert

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: Tim Pawlenty

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

7100 North High Street
Suite 200
Worthington, OH 43085
(614) 880–9870
www.griffithfoundation.org
Chairman: Michael A. Winner

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)

515 East Grant Rd Ste 141
Box 250
Tucson, AZ 85705
(602) 350-0717
www.ifcaonline.com
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
Chairman: Larry Roth
President: 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: Doris Erdman
President-Elect: Kevin Glasgow

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
http://loma.org/lic
President & CEO: Robert A. Kerzner

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
(860) 688–3358
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: James J. Donelon

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: George Nichols, III
Vice-Chair: Melody R. J. Jensen, Esq

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: James B. Lammers
President-Elect: Richard M. Weber

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: J. David Cummins

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 SEPTEMBER 2013)

■ **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
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.insurance.arkansas.gov

■ **California**
Dave Jones
Insurance Commissioner
California Department of Insurance
300 Capitol Mall, Suite 1700
Sacramento, CA 95814
(916) 492–3500
www.insurance.ca.gov

■ **Colorado**
Marguerite Salazar
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/site/default.asp

■ **Delaware**
Karen Weldin Stewart
Insurance Commissioner
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
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.gainsurance.org

■ **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**
Nick Gerhart
Insurance Commissioner
Iowa Insurance Division
601 Locust Street, 4th Floor
Des Moines, IA 50309-3738
(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. Third Street
Baton Rouge, LA 70802
(225) 342–5900
www.ldi.la.gov

■ Maine
Eric A. 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
(617) 521–7794
www.mass.gov/doi

■ Michigan
Kevin Clinton
Commissioner of Insurance
Michigan Department of Insurance and Financial Services
Ottawa Building, 3rd Floor
611 W. Ottawa Street
Lansing, MI 48933–1070
(517) 539-1500
www.michigan.gov/difs

■ Minnesota
Mike Rothman
Commissioner
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 539-1500
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.ms.gov

■ Missouri
John M. Huff
Director of Insurance
Missouri Department of Insurance, Financial Institutions & Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65102
(573) 751–4126
www.difp.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.sao.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
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 New Mexico Office of Superintendent of Insurance
Division of Insurance
P. O Box 1689
Santa Fe, NM 87504-1689
(505) 827–4601
www.osi.state.nm.us

■ **New York**
Benjamin M. Lawsky
Superintendent of Financial Services
New York State Department of Financial Services
One State Street
New York, NY 10004-1511
(212) 480–6400
www.dfs.ny.gov

■ **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 Building, 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
Five Corporate Plaza
3625 N.W. 56th Street, Suite 100
Oklahoma City, OK 73112
(405) 521–2828
www.ok.gov/oid

■ **Oregon**
Laura Cali
Insurance Commissioner
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.insurance.pa.gov

■ **Rhode Island**
Joseph Torti, III
Deputy Director & 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

■ **South Carolina**
Raymond G. Farmer
Director of Insurance
South Carolina Department of Insurance
1201 Main Street, Suite 1000
Columbia, SC 29201
(803) 737–6160
www.doi.sc.gov

■ **South Dakota**
Merle D. Scheiber
Director of Insurance
South Dakota Division of Insurance
445 East Capitol Avenue
Pierre, SD 57501
(605) 773–3563
www.dir.sd.gov/insurance/default/aspx

■ **Tennessee**
Julie Mix McPeak
Commissioner of Insurance
Tennessee Department of Commerce and Insurance
Insurance Division
500 James Robertson Parkway
Davy Crockett Tower, 12th Floor
Nashville, TN 37243-0565
(615) 741–2218
www.tn.gov/insurance

Texas
Julia Rathgeber
Commissioner of Insurance
Texas Department of Insurance
333 Guadalupe Street
Austin, TX 78701
(512) 463–6169
www.tdi.texas.gov

Utah
Todd E. Kiser
Commissioner of Insurance
Utah Insurance Department
State Office Building, Room 3110
Salt Lake City, UT 84114–6901
(801) 538–3800
www.insurance.utah.gov

Vermont
Susan L. Donegan
Commissioner (BISHCA)
State of Vermont Department of Banking, Insurance, Securities and Health Care Administration
Department of Financial Regulation
89 Main Street, Drawer 20
Montpelier, VT 05620–3101
(802) 828–3301
www.dfr.vermont.gov

Virginia
Jacqueline K. Cunningham
Commissioner of Insurance
Virginia State Corporation Commission
Bureau of Insurance, Commonwealth of Virginia
Tyler Building, 1300 E. Main Street
Richmond, VA 23219
(804) 371–9741
www.scc.virginia.gov/boi

Washington
Mike Kreidler
Insurance Commissioner
Washington State Office of the Insurance Commissioner
5000 Capitol Boulevard, SE
Tumwater, WA 98501
(360) 725–7000
www.insurance.wa.gov

West Virginia
Michael D. Riley
Insurance Commissioner
West Virginia Offices of the Insurance Commissioner
1124 Smith Street, Room 403
Charleston, WV 25301
(304) 558–3354
www.wvinsurance.gov

Wisconsin
Ted Nickel
Commissioner of Insurance
Wisconsin Office of the Commissioner of Insurance
125 South Webster Street
Madison, WI 53703-3474
(608) 266–3585
www.oci.wi.gov

Wyoming
Tom C. Hirsig
Insurance Commissioner
Wyoming Insurance Department
106 East 6th Avenue
Cheyenne, WY 82002
(307) 777–7401
http://doi.wyo.gov

Financial Security...for Life.

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