

U.S. Life and A&H Insurance Industries

Life and A&H Industry Overview

Table 1 provides the industry’s aggregate financial results for the life insurers that file with the NAIC on the Life/A&H quarterly blank for the first six months of 2020.

- Overall, the life industry reported \$9 billion of net income, a 69% decrease compared to the first six months of 2019.
- Net premiums and deposits increased 2% to \$446 billion. Total direct premiums increased 9% to \$513 billion, assumed premiums decreased 23% to \$67 billion, and ceded premiums increased 10% to \$135 billion.
- Life industry cash and invested assets increased 8% to \$5 trillion.
- Total separate account assets was unchanged, remaining at \$3 trillion.
- The industry’s total capital and surplus increased 2% to \$449 billion compared to prior year-end, mainly driven by \$14 billion unrealized gains.
- Net cash from operations for the life industry increased by 13% to \$103 billion.

Inside the Report

Page No.

Premium	2-3
Investment Income.....	4
Operations	4
Liquidity	5
Capital & Surplus	5
Separate Accounts.....	5

**Table 1—Financial Synopsis: June 30, 2020-2016
Life and Accident & Health Insurance Industry**

<i>(\$ In Millions)</i>	Change	2Q 2020	2Q 2019	2Q 2018	2Q 2017	2Q 2016
Direct Written Premium and Deposits	9%	\$513,439	\$472,168	\$449,895	\$429,850	\$414,432
Life Direct Written Premium	(0)%	\$94,063	\$94,244	\$91,789	\$91,726	\$88,375
A&H Direct Written Premium	2%	\$105,424	\$102,961	\$101,870	\$95,836	\$88,974
Annuities	(6)%	\$134,214	\$142,270	\$129,770	\$122,818	\$128,035
Deposits & Other DPW	35%	\$179,738	\$132,693	\$126,466	\$119,470	\$109,049
Net Earned Premium	(9)%	\$314,756	\$345,943	\$284,618	\$285,063	\$315,365
Net Investment Income	3%	\$98,920	\$96,466	\$98,324	\$95,709	\$93,416
General Expenses	(3)%	\$32,972	\$33,836	\$33,208	\$32,491	\$30,824
Operating Income	(97)%	\$1,000	\$32,491	\$27,372	\$30,639	\$5,957
Realized Gains/(Losses)	273%	\$7,676	(\$4,442)	(\$6,811)	(\$1,682)	(\$4,279)
Net Income/(Loss)	(69)%	\$8,675	\$28,049	\$20,561	\$28,957	\$1,678
Unrealized Gains/(Losses)	28%	\$13,671	\$10,676	(\$3,930)	\$4,203	\$8,542
ROA (Annualized)	(0.6) pts	0.2%	0.8%	0.6%	0.9%	0.1%
Net Investment Yield	(0.1) pts	4.2%	4.3%	4.7%	4.6%	4.7%
	6-mo. Chg	2Q 2020	2019	2018	2017	2016
Capital & Surplus	2%	\$448,943	\$438,947	\$399,177	\$393,169	\$380,799

Note: Adjustments to exclude affiliated amounts were made where appropriate. Fraternal societies are included in the Life/A&H totals.

Premium

The life industry reported a 9% (\$41 billion) increase in direct written premiums and deposits to \$513 billion for the first six months of 2020. Net written premiums and deposits increased 2% (\$9 billion) to \$446 billion. **Table 2** illustrates total direct, assumed, ceded, and net written premiums by line of business for a year-over-year comparison.

Table 2—Total Written Premium by LOB

Direct Premiums	% Chg.	2Q'20	2Q'19
Life Insurance	(0)%	\$94.1	\$94.2
Annuity Considerations	(6)%	\$134.2	\$142.3
A&H Insurance	2%	\$105.4	\$103.0
Deposit-type Contracts	46%	\$134.9	\$92.2
Other Considerations	11%	\$44.8	\$40.5
Total	9%	\$513.4	\$472.2

Assumed Premium	% Chg.	2Q'20	2Q'19
Life Insurance	(32)%	\$33.6	\$49.1
Annuity Considerations	(19)%	\$17.3	\$21.3
A&H Insurance	(2)%	\$14.5	\$14.8
Deposit-type Contracts	(23)%	\$0.8	\$1.0
Other Considerations	21%	\$0.9	\$0.7
Total	(23)%	\$67.0	\$86.9

Ceded Premium	% Chg.	2Q'20	2Q'19
Life Insurance	(13)%	\$53.2	\$61.2
Annuity Considerations	58%	\$51.8	\$32.8
A&H Insurance	1%	\$24.0	\$23.7
Deposit-type Contracts	141%	\$3.4	\$1.4
Other Considerations	(26)%	\$2.3	\$3.1
Total	10%	\$134.6	\$122.3

Net Premium	% Chg.	2Q'20	2Q'19
Life Insurance	(9)%	\$74.5	\$82.1
Annuity Considerations	(24)%	\$99.7	\$130.7
A&H Insurance	2%	\$95.9	\$94.0
Deposit-type Contracts	44%	\$132.3	\$91.8
Other Considerations	14%	\$43.4	\$38.2
Total	2%	\$445.8	\$436.8

Life Insurance

Gross premiums for life insurance decreased 11% (\$16 billion) to \$128 billion, primarily due to the 32% decrease in assumed premiums, while ceded premiums decreased 13% (\$8 billion) to \$53 billion, all compared to second quarter 2019. Net life insurance premiums increased 9% (\$8 billion) to \$74 billion. The industry retention rate on life insurance premiums increased 1 percentage point to 58%.

Annuities

Gross annuity considerations decreased 7% (\$12 billion) to \$151 billion, primarily from the decrease in direct annuity considerations of 6% (\$8 billion). Ceded reinsurance increased 58% (\$19 billion) compared to second quarter of 2019. Total net annuity consideration decreased 24% (\$31 billion) to \$100 billion for second quarter 2020. The industry retention rate on annuities decreased 14 percentage points to 66%.

A&H

Gross A&H premiums increased by 2% (\$2 billion) to \$120 billion. Ceded premiums also decreased 1% (\$242 million) to \$24 billion. Total net A&H premiums increased 2% (\$2 billion) to \$96 billion and the industry retention rate was relatively unchanged at 80%.

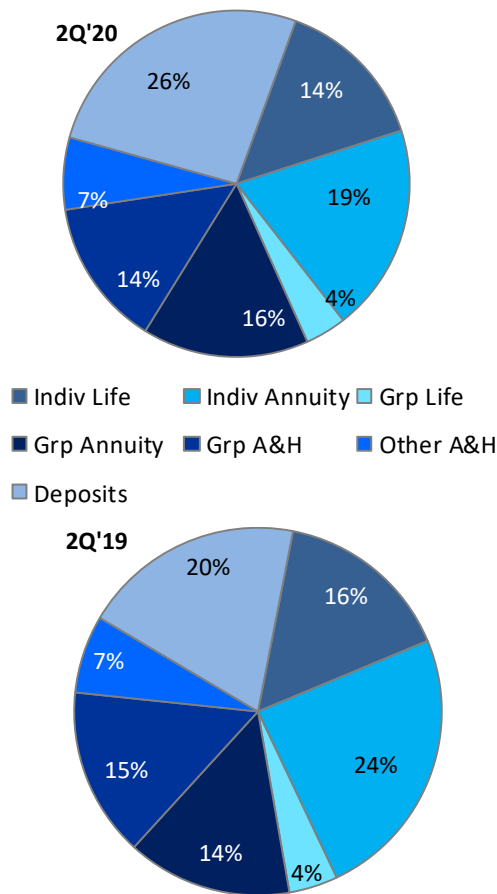
Deposit-Type Contracts

Gross deposits-type contract funds increased 46% (\$43 billion) to \$136 billion driven by a 46% (\$43 million) increase in direct deposits. Ceded deposits also increased significantly by 141% (\$2 billion) to \$3 billion. Total net deposits increased 44% (\$41 billion) to \$132 billion. The industry retention rate on deposits decreased 1 percentage points to 98%.

Other Considerations

Gross other considerations increased 11% (\$4 billion) to \$46 billion driven by an 11% (\$4 billion) increase in direct other considerations. Ceded other considerations decreased 26% (\$785 million) for a total net other considerations increase of 14% (\$5 billion) to \$43 billion.

Figure 1—Direct Earned Premiums & Deposits by Sector



On an earned basis, the industry reported a 9% (\$31 billion) decrease in net premiums and deposits to \$315 billion. As shown in **Figure 1**, there were no significant changes in the industry’s direct earned premium allocation by sector from mid-year 2019 to 2020.

Table 3 shows in total and by line of business, the top five states reporting the greatest dollar amount of increases and decreases in total direct written premiums and deposits for the first half of 2020 when compared to the same period in 2019.

New York reported the largest increase on a total basis followed by Delaware, both primarily driven by an increase in deposit-type contracts. Indiana reported the largest decrease on a total basis followed by New Jersey. Indiana was driven by a decrease in deposit-type contracts while New Jersey was driven by a decrease in other considerations.

Table 3—Top Five States - Change in Direct Written Premiums by Line of Business (Based on \$ Change in Millions)

TOTAL							
Increases			Decreases				
	% Chg	\$ Chg	2Q'20		% Chg	\$ Chg	2Q'19
NY	54%	\$27,131	\$76,936	IN	(16%)	(\$1,606)	\$8,708
DE	33%	\$10,120	\$40,971	NJ	(7%)	(\$1,202)	\$15,775
IA	36%	\$3,456	\$12,928	WA	(10%)	(\$737)	\$6,708
GA	21%	\$2,683	\$15,310	NC	(5%)	(\$584)	\$10,939
CT	11%	\$1,388	\$13,690	TX	(2%)	(\$523)	\$27,079

LIFE							
Increases			Decreases				
	% Chg	\$ Chg	2Q'20		% Chg	\$ Chg	2Q'19
GA	12%	\$297	\$2,800	IL	(15%)	(\$609)	\$3,562
FL	3%	\$134	\$5,289	IA	(20%)	(\$258)	\$1,047
MD	7%	\$103	\$1,656	MA	(6%)	(\$133)	\$1,918
TX	1%	\$92	\$6,460	NY	(2%)	(\$113)	\$6,292
DE	14%	\$91	\$740	NJ	(3%)	(\$98)	\$3,362

ANNUITIES							
Increases			Decreases				
	% Chg	\$ Chg	2Q'20		% Chg	\$ Chg	2Q'19
MD	26%	\$694	\$3,343	CT	(36%)	(\$1,304)	\$2,342
GA	21%	\$614	\$3,555	OH	(18%)	(\$1,211)	\$5,361
PA	4%	\$312	\$7,714	CA	(6%)	(\$840)	\$12,180
WI	4%	\$111	\$2,801	NJ	(10%)	(\$667)	\$5,886
DE	7%	\$93	\$1,371	NC	(13%)	(\$567)	\$3,717

A&H							
Increases			Decreases				
	% Chg	\$ Chg	2Q'20		% Chg	\$ Chg	2Q'19
NY	12%	\$652	\$5,956	OH	(6%)	(\$246)	\$3,918
FL	7%	\$620	\$8,984	WA	(11%)	(\$235)	\$1,905
CA	6%	\$428	\$8,007	TX	(2%)	(\$158)	\$9,309
NJ	9%	\$354	\$4,377	VA	(5%)	(\$151)	\$2,863
NC	5%	\$171	\$3,481	MO	(3%)	(\$68)	\$2,367

OTHER							
Increases			Decreases				
	% Chg	\$ Chg	2Q'20		% Chg	\$ Chg	2Q'19
GA	93%	\$1,427	\$2,955	NJ	(37%)	(\$828)	\$1,428
IA	66%	\$1,378	\$3,468	CA	(8%)	(\$432)	\$4,863
NY	33%	\$1,128	\$4,508	FL	(17%)	(\$314)	\$1,574
CT	62%	\$665	\$1,735	PA	(18%)	(\$305)	\$1,405
IL	33%	\$473	\$1,910	MD	(30%)	(\$249)	\$584

DEPOSIT-TYPE CONTRACTS							
Increases			Decreases				
	% Chg	\$ Chg	2Q'20		% Chg	\$ Chg	2Q'19
NY	104%	\$25,994	\$50,876	IN	(55%)	(\$1,480)	\$1,229
DE	35%	\$9,779	\$37,950	NE	(67%)	(\$433)	\$213
IA	66%	\$2,461	\$6,211	DC	(52%)	(\$404)	\$380
CT	43%	\$2,020	\$6,742	PA	(13%)	(\$338)	\$2,207
OH	11%	\$1,091	\$11,225	KY	(42%)	(\$98)	\$133

Investment Income

Net investment income increased 3% (\$2 billion) to \$99 billion through the first half of 2020. Concurrently, the industry’s annualized net investment yield decreased 0.2 percentage points to 4% as seen in **Figure 2**.

The Federal Reserve raised the federal funds interest rate seven times between 2018 and 2019. In 2020, the rate has been lowered twice, once on March 3, 2020 to 1.00% - 1.25% and again on March 16, 2020 to 0.00% to 0.25%.

Figure 2—Net Investment Income and Yield

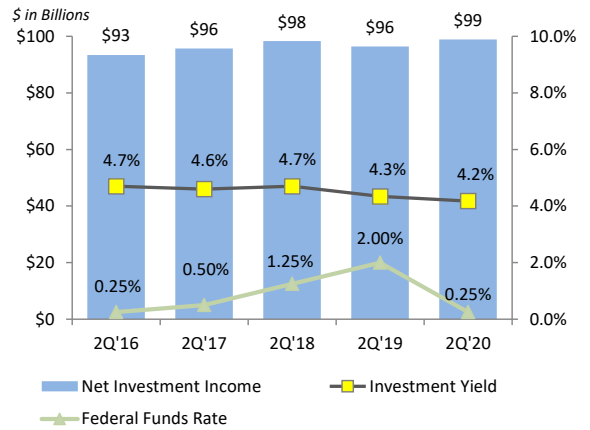


Table 4—Asset Concentration

(\$ Change in Billions)	% Chg. Over 5 Years	% Chg from PYE	2Q'20	YE'19	2Q'19	2Q'18	2Q'17	2Q'16
Bonds*	12%	3%	\$3,265	\$3,180	\$3,129	\$3,025	\$2,997	\$2,909
Preferred Stock*	31%	(7)%	\$12	\$13	\$12	\$11	\$10	\$9
Common Stock*	14%	(6)%	\$38	\$40	\$38	\$41	\$38	\$33
Mortgages*	37%	2%	\$587	\$575	\$549	\$507	\$470	\$427
Real Estate	(9)%	(5)%	\$22	\$23	\$21	\$23	\$24	\$24
BA Assets	35%	(2)%	\$209	\$213	\$197	\$180	\$165	\$155
Cash	121%	58%	\$144	\$91	\$86	\$79	\$51	\$65
Short-term Investments	(8)%	79%	\$58	\$32	\$35	\$30	\$61	\$63

*adjusted to exclude affiliated amounts

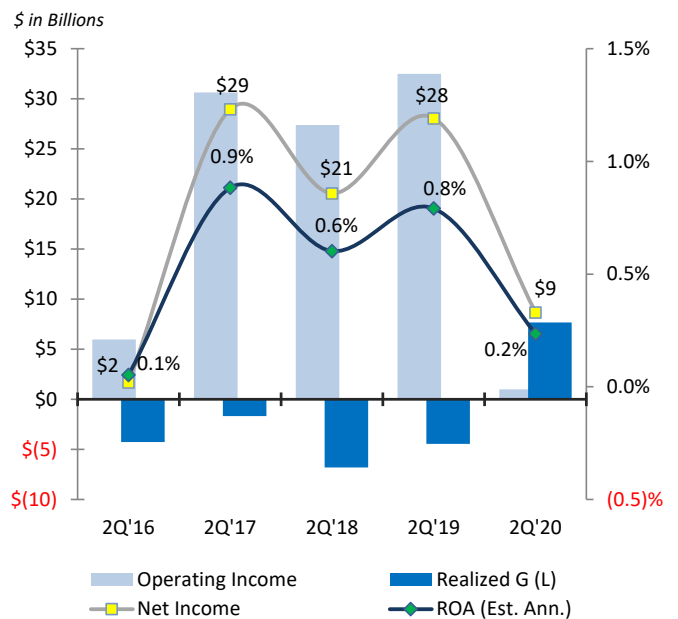
The industry’s cash and adjusted invested asset portfolio has increased steadily over the past ten years, increasing 8% from the prior year-end to \$4.5 trillion at June 30, 2020. **Table 4** provides a breakdown of the industry’s asset concentration and trend over the previous five years. The five-year increase was due primarily to a 12% (\$356 billion) increase in adjusted bonds and a 37% (\$160 billion) increase in adjusted mortgages. Investment grade bonds accounted for 94% of total bonds as of June 30, 2020, a decrease compared to 95% at year-end 2019.

Net Income

Net income decreased 69% (\$19 billion) as the industry reported net income of \$9 billion for the first six months of 2020. Premiums, annuity considerations and deposit decreased 9% to \$315 billion while reserve adjustments on reinsurance ceded increased 18% to \$(11) billion. Aggregate reserves increased \$75 billion in the first six months, compared to \$53 billion at second quarter 2019. Death benefits increased 11% (\$4 billion) to \$45 billion compared to second quarter 2019, a larger than normal increase.

As illustrated in **Figure 3**, the industry reported \$8 billion in realized capital gains for the first six months of 2020. In the past 10 years, the life industry has only reported realized capital gains one other year at mid year. The industry’s return on assets (ROA) decreased to 0.2% at June 30, 2020, from 0.8% at mid-year 2019. The ROA has been below 1% for the past five years, as seen on **Figure 3**.

Figure 3—Operating Income, Realized G/(L), Net Income & ROA



Liquidity

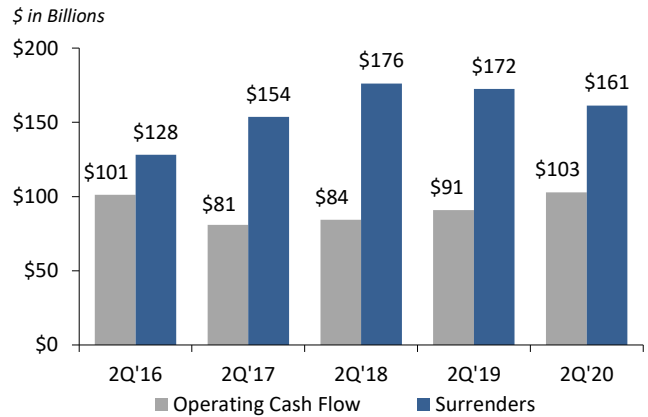
The life industry reported a 13% (\$12 billion) increase in operating cash flow to \$103 billion in the first half of 2020 from \$91 billion in the comparable period of 2019. The largest contributing factors to the increase was a 4% (\$13 billion) decrease in benefits and loss related payments and a 6% (\$5 billion) increase in premiums collected net of reinsurance.

Surrender benefits through June 30, 2020, decreased 6% (\$11 billion) to \$161 billion compared to \$172 billion in through mid-year 2019. Surrenders have shown an increasing trend over the past five years from \$128 billion for the same period in 2016, a 26% increase. See **Figure 4**.

Net cash from investments decreased 1% (\$401 million) remaining negative, for a net cash outflow of \$75 billion compared unchanged from the same period of 2019. The negative result was attributed to a \$35 billion increase in both bond proceeds and miscellaneous proceeds, offset by a \$68 billion increase in acquisition of bonds.

The life industry reported a net cash from financing activities cash in-flow of \$52 billion in the first half of 2020 compared to a net out-flow of \$3 billion in the first six months of 2019. The \$54 billion increase was mainly due to a \$26 billion increase in other cash applied to \$36 billion and a \$15 billion increase in net deposits on deposit-type contracts and other insurance liabilities to \$21 billion.

Figure 4—Operating Cash Flow & Surrenders

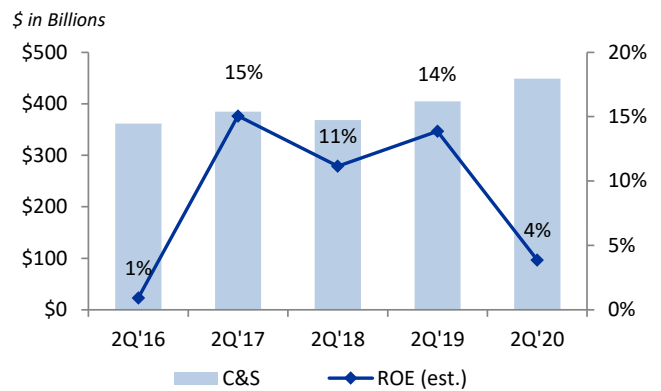


Capital and Surplus

The life industry’s capital and surplus increased 2% (\$10 billion) to \$449 billion at June 30, 2020, from \$439 billion at December 31, 2019, due primarily to unrealized capital gains of \$14 billion and net income of \$9 billion, partially offset by stockholder dividends of \$15 billion.

As illustrated in **Figure 5**, estimated annualized return on equity (ROE) decreased 10 percentage points to 4% through the second quarter of 2020 compared to 14% for the same period of 2018. The decrease was driven by the decrease in net income, as previously mentioned.

Figure 5—Industry C&S and ROE



Separate Accounts

The industry’s separate account assets increased 11% to approximately \$3 trillion at June 30, 2020, compared to year-end 2019. Looking on a year-end basis, separate account assets have steadily climbed over the past five years from \$2 trillion at year-end 2016, a 14% increase. Separate account fee income decreased less than 1% (\$89 million) to \$18 billion in the first six months of 2020, compared to the prior-year period. The ratio of separate account fee income to separate account assets was unchanged, remaining at 1.3%.

The life industry’s CARVM allowance decreased by 23% from negative \$21 billion at second quarter 2019 to negative \$26 billion at June 30, 2020.

CARVM
An insurer's CARVM allowance is generally negative as it represents primarily the difference between the fund balance and the CARVM reserve. The CARVM allowance is generally an indicator of how the market is performing. As the market deteriorates or becomes stagnant, fund balances decline, thereby decreasing the CARVM allowance and vice versa. This degree of negative impact generally results in losses on the general account.

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