

U.S. Life and A&H Insurance Industry Analysis Report

LIFE 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 2022.
- Overall, the life industry reported \$24 billion of net income, a 23% increase compared to the first six months of 2021.
- Net premiums and deposits increased 2% to \$498 billion. Total direct premiums increased 6% to \$585 billion, assumed premiums decreased 16% to \$78 billion, and ceded premiums increased 5% to \$164 billion.
- Life industry cash and invested assets increased 3% to \$5 trillion.
- The industry’s total capital and surplus decreased 3% to \$475 billion compared to prior year-end, mainly driven by \$24 billion in stockholders’ dividends.
- Net cash from operations for the life industry increased by 55% to \$110 billion.
- Total separate account assets decreased 17% to \$3 trillion.

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Table 1 - Life and Accident & Health Entities

Financial Synopsis: June 30, 2022-2018

(\$ In Millions)	Change	2Q 2022	2Q 2021	2Q 2020	2Q 2019	2Q 2018
Direct Written Premium and Deposits	6%	\$584,659	\$552,662	\$513,490	\$472,168	\$449,895
Life Direct Written Premium	4%	\$106,134	\$102,294	\$94,078	\$94,244	\$91,789
A&H Direct Written Premium	(1)%	\$106,906	\$107,786	\$105,460	\$102,961	\$101,870
Annuities	12%	\$174,913	\$156,148	\$134,215	\$142,270	\$129,770
Deposits & Other DPW	6%	\$196,704	\$186,434	\$179,738	\$132,693	\$126,466
Net Earned Premium	(2)%	\$344,574	\$351,205	\$314,756	\$345,943	\$284,618
Net Investment Income	4%	\$104,507	\$100,447	\$98,920	\$96,466	\$98,324
General Expenses	2%	\$34,697	\$33,974	\$32,972	\$33,836	\$33,208
Operating Income	(25)%	\$23,944	\$31,782	\$1,000	\$32,491	\$27,372
Realized Gains/(Losses)	103%	\$345	(\$12,058)	\$7,676	(\$4,442)	(\$6,811)
Net Income/(Loss)	23%	\$24,289	\$19,724	\$8,672	\$28,049	\$20,561
Unrealized Gains/(Losses)	(231)%	(\$15,885)	\$12,127	\$13,671	\$10,676	(\$3,930)
ROA (Annualized)	0.1 pts	0.6%	0.5%	0.2%	0.8%	0.6%
Net Investment Yield	0.3 pts	4.4%	4.1%	4.2%	4.3%	4.7%

PREMIUM

Written Premiums

The life industry reported an 6% (\$32 billion) increase in direct written premiums and deposits to \$585 billion for the first six months of 2022. Net written premiums and deposits increased 2% (\$9 billion) to \$499 billion. **Table 2** illustrates total direct, assumed, ceded, and net written premiums by line of business for a year-over-year comparison.

Life Insurance

Gross premiums for life insurance decreased 2% (\$2 billion) to \$141 billion. Both assumed and ceded premiums decreased by 15% (\$6 billion) and 3% (\$2 billion), respectively. Direct premiums increased 4% (\$4 billion) to \$106 billion, compared to second quarter 2021. Net life insurance premiums decreased 1% (\$420 million) to \$81 billion. The industry retention rate on life insurance premiums increased 1 percentage point to 58%.

Annuities

Gross annuity considerations increased 1% (\$1 billion) to \$195 billion. Both direct and ceded premiums increased by 12% (\$18 billion) and 24% (\$13 billion), respectively. Assumed premiums decreased 47% (\$18 billion) compared to second quarter of 2021. Total net annuity consideration decreased 8% (\$12 billion) to \$129 billion for second quarter 2022. The industry retention rate on annuities decreased 7 percentage points to 66%.

A&H

Gross A&H premiums decreased by 1% (\$321 million) to \$122 billion due primarily to a 1% (\$1 billion) decrease in direct premiums. Ceded premiums also decreased 7% (\$2 billion) to \$26 billion. Total net A&H premiums increased 2% (\$2 billion) to \$96 billion and the industry retention rate increased 2 percentage points to 79%.

Deposit-Type Contracts

Gross deposits-type contract funds increased 2% (\$3 billion) to \$153 billion driven by a 3% (\$4 million) increase in direct deposits. Both assumed and ceded premiums decreased by 30% (\$337 million) and 27% (\$2 billion), respectively. Total net deposits increased 4% (\$6 billion) to \$147 billion. The industry retention rate on deposits increased 2 percentage points to 96%.

Other Considerations

Gross other considerations increased 37% (\$15 billion) to \$53 billion driven by a 17% (\$7 billion) increase in direct other considerations and a \$8 billion increase in assumed other considerations. Ceded other considerations increased 22% (\$1 billion) for a total net other considerations increase of 40% (\$13 billion) to \$46 billion.

Table 2 -- Total Written Premium by LOB

(\$ in Billions)

Direct Premiums	% Chg.	2Q'22	2Q'21
Life Insurance	4%	\$106.1	\$102.3
Annuity Considerations	12%	\$174.9	\$156.1
A&H Insurance	(1)%	\$106.9	\$107.8
Deposit-type Contracts	2%	\$152.0	\$148.3
Other Considerations	17%	\$44.7	\$38.1
Total	6%	\$584.7	\$552.7

Assumed Premium	% Chg.	2Q'22	2Q'21
Life Insurance	(15)%	\$34.4	\$40.3
Annuity Considerations	(47)%	\$19.8	\$37.3
A&H Insurance	4%	\$15.0	\$14.4
Deposit-type Contracts	(30)%	\$0.8	\$1.1
Other Considerations	1,462%	\$8.4	\$0.5
Total	(16)%	\$78.4	\$93.7

Ceded Premium	% Chg.	2Q'22	2Q'21
Life Insurance	(3)%	\$59.5	\$61.1
Annuity Considerations	24%	\$66.1	\$53.2
A&H Insurance	(7)%	\$25.6	\$27.6
Deposit-type Contracts	(27)%	\$6.3	\$8.6
Other Considerations	22%	\$7.0	\$5.7
Total	5%	\$164.4	\$156.2

Net Premium	% Chg.	2Q'22	2Q'21
Life Insurance	(1)%	\$81.0	\$81.5
Annuity Considerations	(8)%	\$128.6	\$140.3
A&H Insurance	2%	\$96.4	\$94.7
Deposit-type Contracts	4%	\$146.5	\$140.8
Other Considerations	40%	\$46.1	\$32.9
Total	2%	\$498.7	\$490.1

Earned Premiums

On an earned basis, the industry reported a 2% (\$7 billion) decrease in net premiums and deposits to \$345 billion. As shown in **Figure 1**, there were no significant changes in the industry’s direct earned premium allocation by sector from mid-year 2021 to 2022.

Figure 1 — Direct Earned Premiums & Deposits by Sector

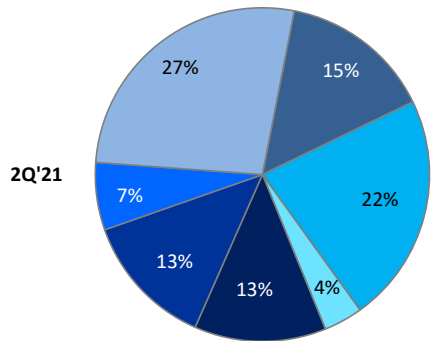
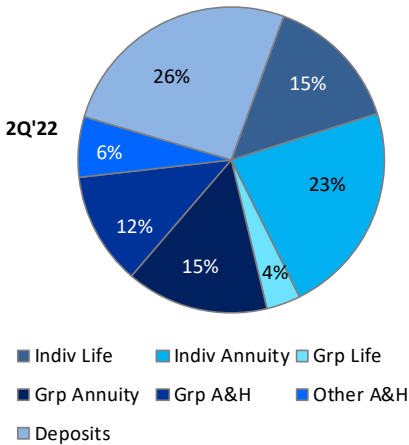


Table 3 shows in total and by line of business, the top five states reporting the greatest dollar amount of increases and decreases in total direct written premiums and deposits for the first half of 2022 when compared to the same period in 2021.

Ohio reported the largest increase on a total basis followed by California. Ohio was primarily driven by an increase in deposit-type contracts while Illinois was driven by annuities and other considerations. New York reported the largest decrease on a total basis followed by Connecticut. New York and Connecticut were driven by a decrease in deposit type contracts.

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'22	% Chg	\$ Chg	2Q'22	
OH	31%	\$8,083	\$34,064	NY	(3%)	(\$2,289)	\$77,755
CA	18%	\$6,636	\$44,107	CT	(15%)	(\$2,150)	\$12,462
CO	43%	\$3,357	\$11,194	IL	(8%)	(\$1,624)	\$18,059
MA	26%	\$3,259	\$15,575	DE	(2%)	(\$1,118)	\$47,934
UT	59%	\$1,928	\$5,211	KS	(15%)	(\$906)	\$5,104

LIFE							
Increases			Decreases				
	% Chg	\$ Chg	2Q'22	% Chg	\$ Chg	2Q'22	
IA	52%	\$581	\$1,693	MA	(5%)	(\$103)	\$2,143
TX	8%	\$553	\$7,522	RI	(27%)	(\$100)	\$273
CA	4%	\$439	\$10,775	WI	(6%)	(\$99)	\$1,625
IL	10%	\$406	\$4,319	AR	(12%)	(\$88)	\$638
NC	12%	\$351	\$3,356	SD	(9%)	(\$72)	\$693

ANNUITIES							
Increases			Decreases				
	% Chg	\$ Chg	2Q'22	% Chg	\$ Chg	2Q'22	
CA	26%	\$3,522	\$16,840	IL	(6%)	(\$373)	\$6,125
FL	14%	\$1,677	\$13,831	KS	(10%)	(\$147)	\$1,284
TX	14%	\$1,497	\$11,879	IA	(7%)	(\$137)	\$1,869
NJ	22%	\$1,433	\$7,889	AL	(1%)	(\$12)	\$2,018
MA	30%	\$1,286	\$5,638	OK	(0%)	(\$5)	\$1,112

A&H							
Increases			Decreases				
	% Chg	\$ Chg	2Q'22	% Chg	\$ Chg	2Q'22	
NY	11%	\$730	\$7,317	FL	(14%)	(\$1,251)	\$7,794
WI	30%	\$615	\$2,663	GA	(17%)	(\$825)	\$4,015
NJ	13%	\$573	\$5,008	SC	(30%)	(\$671)	\$1,532
CA	6%	\$477	\$7,926	IN	(17%)	(\$468)	\$2,254
TX	3%	\$315	\$10,067	WA	(19%)	(\$388)	\$1,655

OTHER							
Increases			Decreases				
	% Chg	\$ Chg	2Q'22	% Chg	\$ Chg	2Q'22	
CA	38%	\$1,700	\$6,198	IL	(42%)	(\$1,227)	\$1,711
MA	109%	\$1,603	\$3,080	NY	(14%)	(\$498)	\$3,147
PA	87%	\$1,286	\$2,771	NJ	(26%)	(\$297)	\$848
DC	407%	\$936	\$1,166	SD	(79%)	(\$274)	\$74
CT	75%	\$624	\$1,454	NH	(45%)	(\$233)	\$287

DEPOSIT-TYPE CONTRACTS							
Increases			Decreases				
	% Chg	\$ Chg	2Q'22	% Chg	\$ Chg	2Q'22	
OH	68%	\$7,950	\$19,556	NY	(6%)	(\$3,382)	\$49,341
CO	348%	\$2,307	\$2,971	CT	(37%)	(\$2,991)	\$5,160
UT	1125%	\$1,394	\$1,518	DE	(3%)	(\$1,242)	\$45,137
OT	12662%	\$995	\$1,003	KS	(48%)	(\$767)	\$821
CA	27%	\$497	\$2,368	TX	(40%)	(\$734)	\$1,099

INVESTMENT INCOME

Net investment income increased 4% (\$4 billion) to \$105 billion through the first half of 2022. Concurrently, the industry’s annualized net investment yield increased 0.3 percentage points to 4.4% as seen in **Figure 2**.

The Federal Reserve raised the federal funds interest rate five times in 2022. Prior to this year, the Federal Reserve had not adjusted the federal funds interest rate from since March 2020. In 2022, the rate increased in March to 0.25% - 0.5%, in May to 0.75% - 1.00%, in June to 1.50% - 1.75%, in July to 2.25% - 2.50%, and September to 3.00% - 3.25%.

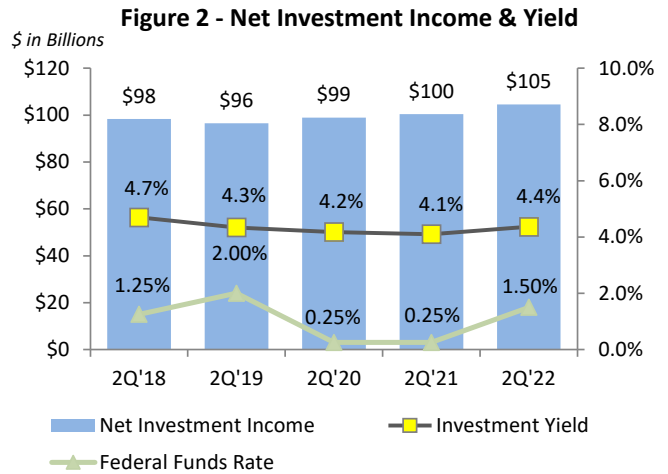


Table 4 – Asset Concentration

(\$ Change in Billions)	% Chg. Over 5 Years	% Chg from PYE	2Q'22	YE'21	2Q'21	2Q'20	2Q'19	2Q'18
Bonds*	20%	0%	\$3,514	\$3,503	\$3,418	\$3,265	\$3,129	\$2,917
Preferred Stock*	68%	(9)%	\$18	\$20	\$16	\$12	\$12	\$11
Common Stock*	16%	(15)%	\$42	\$49	\$44	\$38	\$38	\$36
Mortgages*	34%	5%	\$665	\$636	\$609	\$587	\$549	\$495
Real Estate	(0)%	(2)%	\$22	\$23	\$23	\$22	\$21	\$23
BA Assets	72%	6%	\$310	\$293	\$264	\$216	\$203	\$180
Cash	32%	(9)%	\$101	\$111	\$130	\$144	\$86	\$77
Short-term Investments	4%	(20)%	\$30	\$38	\$35	\$58	\$35	\$29

*adjusted to exclude affiliated amounts

The industry’s cash and adjusted invested asset portfolio has increased steadily over the past ten years, increasing 3% from the prior year-end to \$4.8 trillion at June 30, 2022. **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 20% (\$598 billion) increase in adjusted bonds and a 34% (\$170 billion) increase in adjusted mortgages. Investment grade bonds accounted for 94% of total bonds as of June 30, 2022, unchanged compared to year-end 2021.

OPERATIONS

Net income increased 23% (\$5 billion) as the industry reported net income of \$24 billion for the first six months of 2022. Premiums, annuity considerations and deposit decreased 1% to \$346 billion while reserve adjustments on reinsurance ceded increased 13% to \$(18) billion. Aggregate reserves increased \$47 billion in the first six months, compared to \$38 billion at second quarter 2021. Surrender benefits decreased 2% (\$4 billion) to \$177 billion compared to second quarter 2021.

As illustrated in **Figure 3**, the industry reported \$345 million in realized capital gains for the first six months of 2022. The industry’s return on assets (ROA) increased to 0.6% at June 30, 2022, from 0.5% at mid-year 2021. The ROA has been below 1% for the past five years, as seen on **Figure 3**.

LIQUIDITY

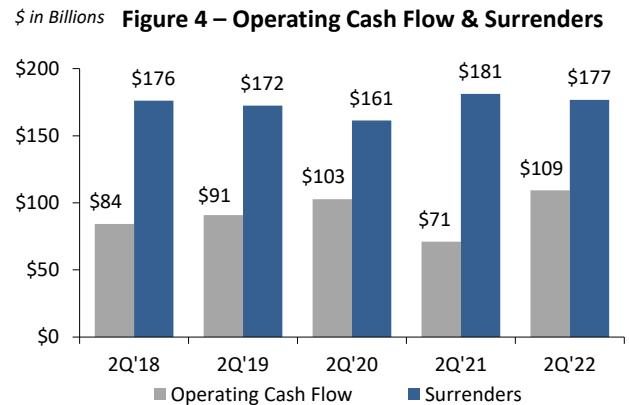
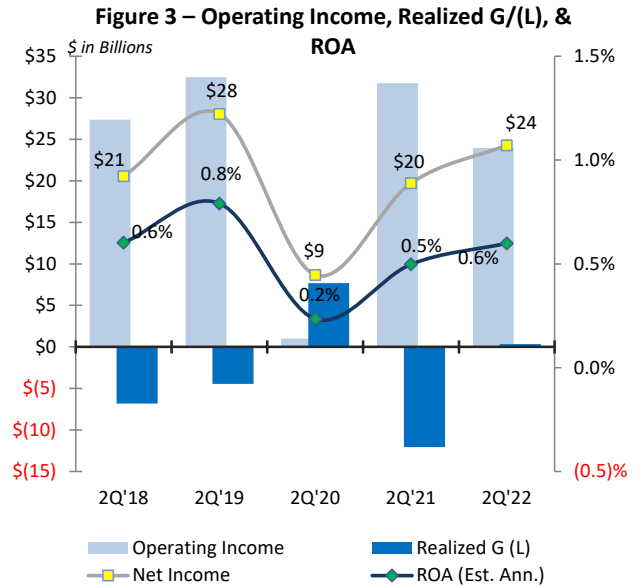
The life industry reported a 55% (\$39 billion) increase in operating cash flow to \$110 billion in the first half of 2022 from \$71 billion in the comparable period of 2021. The largest contributing factors to the increase was a 8% (\$29 billion) increase in premiums collected net of reinsurance and a 5% (\$18 billion) decrease in benefits and loss related payments.

Surrender benefits through June 30, 2022, decreased 2% (\$4 billion) to \$177 billion compared to \$181 billion in through mid-year 2021. Surrenders have shown an increasing trend over the past five years from \$176 billion for the same period in 2018. See **Figure 4**.

Through June 30, 2022, death benefits decreased 4% compared to mid-year 2021. The life insurance industry reported a 12% increase in death benefits for 2021 over the same period in 2020, which is high compared to annual increases in death benefits averaging between 1% and 5% in prior years.

Net cash from investments decreased 37% (\$34 billion) remaining negative, for a net cash outflow of \$127 billion compared to \$93 billion outflow for the same period of 2021. The negative result was attributed to a \$38 billion decrease in proceeds from bonds and a \$30 billion increase in mortgage loan acquisition, offset by a \$16 billion decrease in bond acquisition.

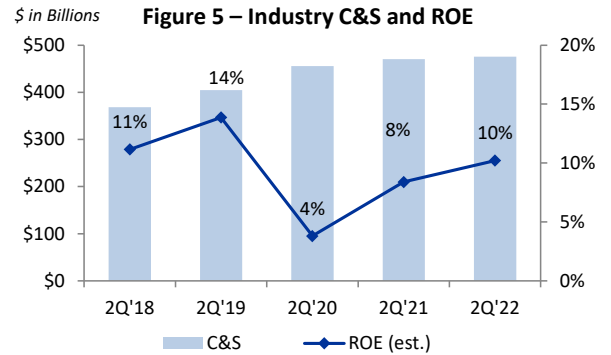
The life industry reported a net cash from financing activities cash in-flow of \$2 billion in the first half of 2022 compared to a net in-flow of \$29 billion in the first six months of 2021. The \$27 billion decrease was mainly due to a \$26 billion decrease in other cash applied to \$(17) billion.



CAPITAL AND SURPLUS

The life industry’s capital and surplus decreased 3% (\$14 billion) to \$476 billion at June 30, 2022, from \$490 billion at December 31, 2021, due primarily to stockholders’ dividends of \$24 billion, unrealized losses of \$16 billion, partially offset by an industry net income of \$24 billion.

As illustrated in **Figure 5**, estimated annualized return on equity (ROE) increased 2 percentage points to 10% through the second quarter of 2022 compared to 8% for the same period of 2021. The increase was driven by an increase in both net income and capital and surplus.



SEPARATE ACCOUNTS

The industry’s separate account assets decreased 17% to approximately \$3 trillion at June 30, 2022, compared to year-end 2021. Looking on a year-end basis, separate account assets have slightly increased over the past five years from under \$3 trillion at year-end 2017. Separate account fee income decreased 3% (\$1 billion) to \$20 billion in the first six months of 2022, compared to the prior-year period. The ratio of separate account fee income to separate account assets increased slightly to 1.4%.

The life industry’s CARVM allowance increased by 9% from negative \$28 billion at second quarter 2021 to negative \$25 billion at June 30, 2022.

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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DISCLAIMER

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