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

LIFE INDUSTRY OVERVIEW

Inside the Report

Page No.

- **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 2023.
- Overall, the life industry reported $16 billion of net income, a 33% decrease compared to the first six months of 2022.
- Net premiums and deposits increased 8% to $542 billion. Total direct premiums increased 4% to $610 billion, assumed premiums increased 3% to $82 billion, and ceded premiums decreased 10% to $149 billion.
- Life industry cash and invested assets increased 1% to $5 trillion.
- The industry's total capital and surplus increased slightly by 1% to $481 billion compared to prior year-end, mainly driven by $16 billion of net income, partially offset by $20 billion in stockholders' dividends.
- Net cash from operations for the life industry decreased by 11% to $98 billion.
- Total separate account assets increased 6% to $3 trillion.

Table 1 - Life and Accident & Health Entities

Financial Synopsis: June 30, 2023-2019

($ In Millions)	Change	2Q 2023	2Q 2022	2Q 2021	2Q 2020	2Q 2019
Direct Written Premium and Deposits	4%	$609,651	$586,966	$552,662	$513,490	$472,168
Life Direct Written Premium	(1)%	$106,072	$106,791	$102,294	$94,078	$94,244
A&H Direct Written Premium	8%	$115,998	$107,288	$107,786	$105,460	$102,961
Annuities	20%	$210,392	$175,819	$156,148	$134,215	$142,270
Deposits & Other DPW	(10)%	$177,188	$197,069	$186,434	$179,738	$132,693
Net Earned Premium	14%	$395,159	$346,216	$351,205	$314,756	$345,943
Net Investment Income	4%	$109,203	$105,254	$100,447	$98,920	$96,466
General Expenses	9%	$37,776	$34,697	$33,974	$32,972	$33,836
Operating Income	8%	$25,813	$23,944	$31,782	$1,000	$32,491
Realized Gains/(Losses)	(2,708)%	($9,379)	$360	($12,058)	$7,676	($4,442)
Net Income/(Loss)	(33)%	$16,434	$24,588	$19,724	$8,672	$28,049
Unrealized Gains/(Losses)	123%	$3,595	($15,885)	$12,127	$13,671	$10,676
ROA (Annualized)	(0.2) pts	0.4%	0.6%	0.5%	0.2%	0.8%
Net Investment Yield	(0.1) pts	4.2%	4.3%	4.1%	4.2%	4.3%

PREMIUM

Written Premiums

The life industry reported a 4% ($23 billion) increase in direct written premiums and deposits to $610 billion for the first six months of 2023. Net written premiums and deposits increased 8% ($42 billion) to $542 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% ($3 billion) to $139 billion. Both assumed and ceded premiums decreased by 6% ($2 billion) and 11% ($6 billion), respectively. Direct premiums decreased 1% ($718 million) to $106 billion, compared to first six months of 2022. Net life insurance premiums increased 5% ($4 billion) to $85 billion. The industry retention rate on life insurance premiums increased 4 percentage point to 61%.

Annuities

Gross annuity considerations increased 22% ($43 billion) to $239 billion. Both direct and assumed premiums increased by 20% ($35 billion) and 44% ($8 billion), respectively. Ceded premiums decreased 11% ($7 billion) compared to first six months of 2022. Total net annuity consideration increased 39% ($50 billion) to $180 billion for second quarter 2023. The industry retention rate on annuities increased 9 percentage points to 75%.

A&H

Gross A&H premiums increased by 8% ($10 million) to $133 billion due primarily to an 8% ($9 billion) increase in direct premiums. Ceded premiums also increased 8% ($2 billion) to $28 billion, and total net A&H premiums increased 8% ($8 billion) to $104 billion. The industry retention rate on A&H remained relatively flat at 79%.

Table 2 -- Total Written Premium by LOB

($ in Billions)

Direct Premiums	**% Chg.**	**2Q'23**	**2Q'22**
Life Insurance	(1)%	$106.1	$106.8
Annuity Considerations	20%	$210.4	$175.8
A&H Insurance	8%	$116.0	$107.3
Deposit-type Contracts	(4)%	$146.3	$152.4
Other Considerations	(31)%	$30.9	$44.7
Total	**4%**	**$609.7**	**$587.0**

Assumed Premium	**% Chg.**	**2Q'23**	**2Q'22**
Life Insurance	(6)%	$33.2	$35.4
Annuity Considerations	44%	$28.6	$19.9
A&H Insurance	9%	$16.6	$15.2
Deposit-type Contracts	25%	$1.0	$0.8
Other Considerations	(69)%	$2.6	$8.4
Total	**3%**	**$82.0**	**$79.7**

Ceded Premium	**% Chg.**	**2Q'23**	**2Q'22**
Life Insurance	(11)%	$54.0	$60.7
Annuity Considerations	(11)%	$59.0	$66.1
A&H Insurance	8%	$28.1	$25.9
Deposit-type Contracts	(77)%	$1.5	$6.4
Other Considerations	(4)%	$6.7	$7.0
Total	**(10)%**	**$149.3**	**$166.1**

Net Premium	**% Chg.**	**2Q'23**	**2Q'22**
Life Insurance	5%	$85.3	$81.5
Annuity Considerations	39%	$179.9	$129.6
A&H Insurance	8%	$104.5	$96.6
Deposit-type Contracts	(1)%	$145.8	$146.8
Other Considerations	(42)%	$26.8	$46.1
Total	**8%**	**$542.4**	**$500.6**

Deposit-Type Contracts

Gross deposits-type contract funds decreased 4% ($6 billion) to $147 billion driven by a 4% ($6 billion) decrease in direct deposits. Assumed premiums increased by 25% ($204 million), and ceded premiums decreased by 77% ($5 billion). Total net deposits decreased less than 1% ($962 million) to $146 billion. The industry retention rate on deposits increased 3 percentage points to 99%.

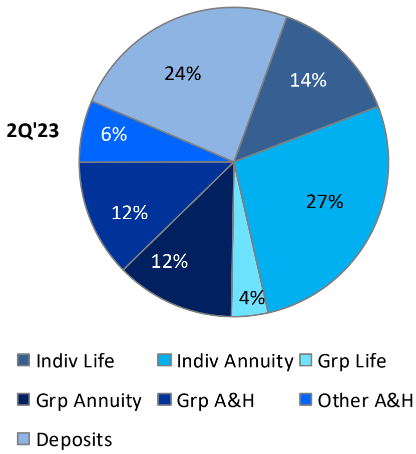
Other Considerations

Gross other considerations decreased 37% ($20 billion) to $34 billion driven by a 31% ($14 billion) increase in direct other considerations and a $6 billion decrease in assumed other considerations. Ceded other considerations decreased 4% ($304 million) for a total net other considerations decrease of 42% ($19 billion) to $27 billion.

Earned Premiums

On an earned basis, the industry reported a 14% ($49 billion) increase in net premiums and deposits to $395 billion. As shown in **Figure 1**, there were no significant changes in the industry's direct earned premium allocation by sector from mid-year 2022 to 2023.

Figure 1 — Direct Earned Premiums & Deposits by Sector



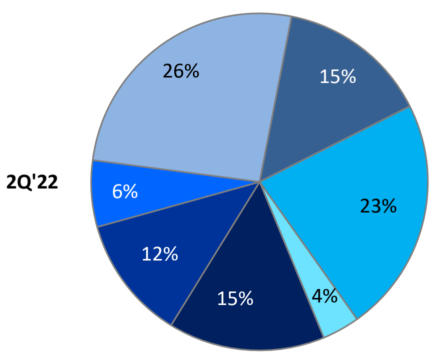


Table 3 shows in total and by line of business, the top five states reporting the greatest dollar amount of increases and decreases in total direct written premiums and deposits for the first half of 2023 when compared to the same period in 2022.

New York reported the largest increase on a total basis followed by Florida. New York was primarily driven by an increase in deposit-type contracts and annuities while Florida was driven by annuities and A&H. Delaware reported the largest decrease on a total basis followed by Iowa. Delaware and Iowa 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'23		% Chg	$ Chg	2Q'23
NY	6%	$4,815	$82,570	DE	(13%)	($6,452)	$41,482
FL	14%	$4,290	$34,266	IA	(31%)	($4,159)	$9,405
IL	19%	$3,468	$21,527	MA	(17%)	($2,589)	$12,987
OH	10%	$3,352	$37,416	DC	(36%)	($1,057)	$1,848
CT	22%	$2,782	$15,244	GA	(3%)	($483)	$13,672

LIFE

Increases				Decreases			
	% Chg	$ Chg	2Q'23		% Chg	$ Chg	2Q'23
OH	17%	$496	$3,406	IA	(37%)	($627)	$1,066
SD	40%	$278	$971	IL	(12%)	($499)	$3,820
DE	18%	$164	$1,061	NC	(14%)	($461)	$2,895
NY	2%	$132	$6,853	NE	(25%)	($211)	$628
NJ	3%	$118	$3,845	CA	(1%)	($147)	$10,629

ANNUITIES

Increases				Decreases			
	% Chg	$ Chg	2Q'23		% Chg	$ Chg	2Q'23
CA	29%	$4,923	$21,767	MA	(6%)	($352)	$5,286
FL	23%	$3,241	$17,071	NV	(19%)	($343)	$1,490
NY	21%	$2,376	$13,605	ND	(32%)	($275)	$583
PA	24%	$2,126	$11,072	CO	(8%)	($269)	$3,267
TX	17%	$2,042	$13,921	WY	(24%)	($82)	$262

A&H

Increases				Decreases			
	% Chg	$ Chg	2Q'23		% Chg	$ Chg	2Q'23
FL	16%	$1,251	$9,044	WI	(14%)	($373)	$2,290
IL	32%	$1,178	$4,805	HI	(27%)	($151)	$413
PA	25%	$1,093	$5,456	OK	(8%)	($72)	$868
NY	10%	$753	$8,070	TX	(0%)	($49)	$10,018
CT	34%	$613	$2,402	NM	(4%)	($15)	$377

OTHER

Increases				Decreases			
	% Chg	$ Chg	2Q'23		% Chg	$ Chg	2Q'23
DE	415%	$422	$523	CA	(39%)	($2,437)	$3,761
UT	107%	$289	$560	PA	(67%)	($1,858)	$913
SD	152%	$112	$186	IA	(40%)	($1,266)	$1,931
NJ	12%	$102	$949	DC	(87%)	($1,013)	$153
TN	15%	$94	$720	MA	(33%)	($1,006)	$2,074

DEPOSIT-TYPE CONTRACTS

Increases				Decreases			
	% Chg	$ Chg	2Q'23		% Chg	$ Chg	2Q'23
CO	86%	$2,550	$5,521	DE	(17%)	($7,731)	$37,406
NY	5%	$2,257	$51,598	IA	(46%)	($2,790)	$3,227
IL	70%	$1,603	$3,881	MA	(71%)	($1,627)	$662
CT	31%	$1,574	$6,734	CA	(51%)	($1,205)	$1,163
IN	194%	$1,401	$2,122	GA	(33%)	($463)	$925

INVESTMENT INCOME

Net investment income increased 4% ($4 billion) to $109 billion through the first half of 2023. Concurrently, the industry's annualized net investment yield decreased 0.1 percentage points to 4.3% as seen in **Figure 2**.

The Federal Reserve raised the federal funds interest rate four times in 2023 and seven times in 2022. Prior to this year, the Federal Reserve had not adjusted the federal funds interest rate since March 2020. The most recent rate increase in 2023 was in July, where the rate increased to 5.25% - 5.50%.

Figure 2 - Net Investment Income & Yield

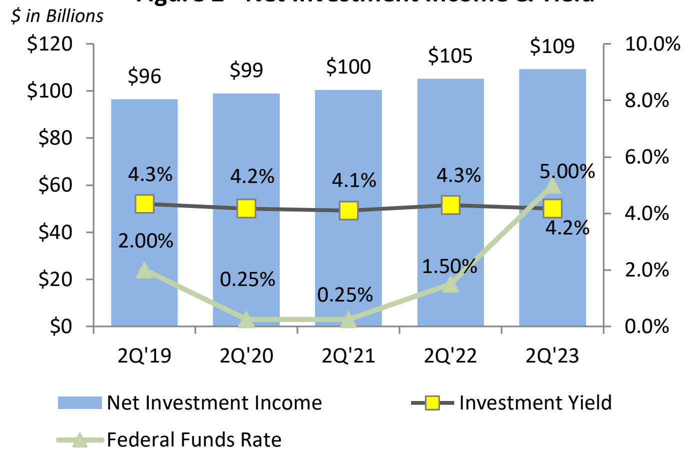


Table 4 – Asset Concentration

($ Change in Billions)	% Chg. Over 5 Years	% Chg from PYE	2Q'23	YE'22	2Q'22	2Q'21	2Q'20	2Q'19
Bonds*	15%	1%	$3,589	$3,558	$3,541	$3,418	$3,265	$3,129
Preferred Stock*	42%	4%	$17	$16	$18	$16	$12	$12
Common Stock*	9%	(0)%	$41	$41	$43	$44	$38	$38
Mortgages*	28%	2%	$700	$685	$669	$609	$587	$549
Real Estate	10%	0%	$23	$23	$23	$23	$22	$21
BA Assets	65%	4%	$334	$321	$310	$264	$216	$203
Cash	35%	9%	$116	$107	$102	$130	$144	$86
Short-term Investments	14%	5%	$39	$38	$31	$35	$58	$35

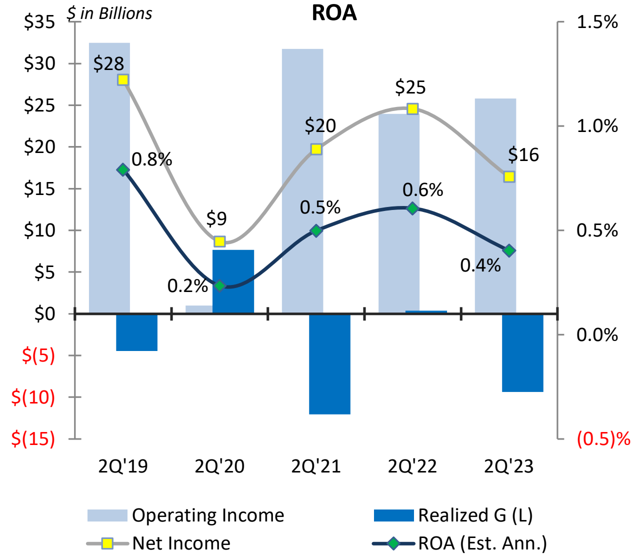
**adjusted to exclude affiliated amounts*

The industry's cash and adjusted invested asset portfolio has increased steadily over the past ten years, increasing 1% from the prior year-end to $5 trillion at June 30, 2023. **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 15% ($460 billion) increase in adjusted bonds and a 28% ($151 billion) increase in adjusted mortgages. Investment grade bonds accounted for 95% of total bonds as of June 30, 2023, unchanged compared to year-end 2022.

OPERATIONS

Net operating income increased 8% to $26 billion from $24 billion. Net Earned premiums, annuity considerations and deposit contributed to the increase in net operating income with an increase of 14% to $395 billion. Reserve adjustments on reinsurance ceded increased 87% to $(2) billion. Aggregate reserves for life and accident and health contracts increased $58 billion in the first six months of 2023, compared to $47 billion increase through the second quarter 2022. Net income decreased 33% ($8 billion) as the industry reported net income of $16 billion for the first six months of 2023. The life industry reported realized capital losses of $9.4 billion through the second quarter of 2023 impacting the decline in net income.

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



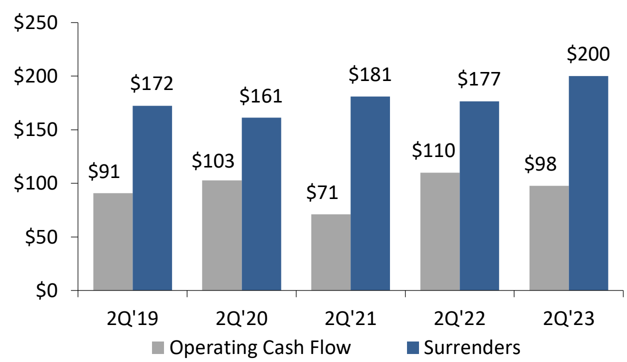
As illustrated in **Figure 3**, the industry reported $9.4 billion in realized capital losses for the first six months of 2023. The industry's return on assets (ROA) decreased to 0.4% at June 30, 2023, from 0.6% at mid-year 2022. The ROA has been below 1% for the past five years, as seen in **Figure 3.**

LIQUIDITY

The life industry reported a 11% ($12 billion) decrease in operating cash flow to $98 billion in the first half of 2023 from $110 billion in the comparable period of 2022. The largest contributing factors to the decrease was a 6% ($22 billion) increase in benefits and loss-related payments, partially offset by a 3% ($10 billion) increase in premiums collected net of reinsurance.

Surrender benefits through June 30, 2023, increased 13% ($23 billion) to $200 billion compared to $177 billion in through mid-year 2022. Surrenders have shown an increasing trend over the past five years from $172 billion for the same period in 2019. See **Figure 4.**

Figure 4 - Operating Cash Flow & Surrenders



Through June 30, 2023, death benefits decreased 2% compared to mid-year 2022. The life insurance industry reported a 17% increase in death benefits for 2023 over the same period in 2019, with annual increases in death benefits averaging between 1% and 5% in prior years.

Net cash from investments increased 32% ($41 billion) remaining negative, for a net cash outflow of $86 billion compared to $127 billion outflow for the same period of 2022. The negative result was attributed to a $133 billion decrease in proceeds from bonds, offset by a $159 billion decrease in bond acquisition and a $36 billion decrease in mortgage loan acquisition.

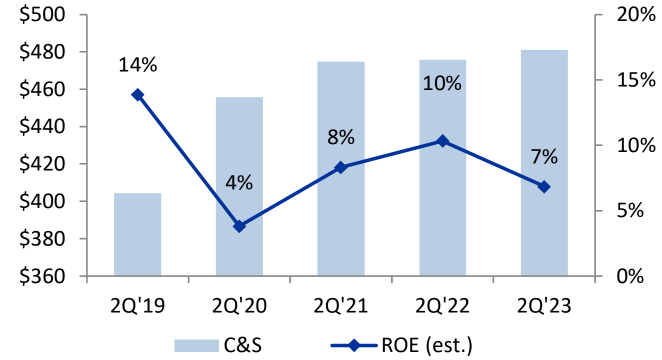
The life industry reported a net cash from financing activities cash out-flow of $124 million in the first half of 2023 compared to a net in-flow of $2 billion in the first six months of 2022. The $2 billion decrease was mainly due to a $25 billion decrease in net deposits on deposit-type contracts and other insurance liabilities applied to $12 billion.

CAPITAL AND SURPLUS

The life industry's capital and surplus increased 0.5% ($2 billion) to $481 billion at June 30, 2023, from $479 billion at December 31, 2022, due primarily to an industry net income of $16 million, unrealized gains of $4 billion, paid-in surplus and capital of $2 billion, partially offset by stockholders' dividends of $20 billion.

As illustrated in **Figure 5**, estimated annualized return on equity (ROE) decreased 3 percentage points to 7% through the second quarter of 2023 compared to 10% for the same period of 2022. The decrease was driven by a decrease in net income.

Figure 5 – Industry C&S and ROE



SEPARATE ACCOUNTS

The industry's separate account assets increased 6% to approximately $3 trillion at June 30, 2023, compared to year-end 2022. Looking on a year-end basis, separate account assets have slightly increased over the past five years from $2.4 billion at year-end 2018. Separate account fee income decreased 4% ($1 billion) to $19 billion in the first six months of 2023, compared to the prior-year period. The ratio of separate account fee income to separate account assets decreased slightly to 1.3%.

The life industry's CARVM allowance remained relatively flat at negative $25 billion at second quarter 2023 compared to 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.

NAIC Financial Regulatory Services
Financial Analysis and Examination Department

Contacts:
Abigail Edson, Life/Health Financial Analyst II
AEdson@naic.org

Bruce Jenson, Assistant Director, Solvency Monitoring
BJenson@naic.org
816.783.8348

Jane Koenigsman, Senior Manager II, Life/Health Financial Analysis
JKoenigsman@naic.org
816.783.8145

Ralph Villegas, Manager II, Life Financial Analysis
RVillegas@naic.org
816.783.8411

DISCLAIMER

The NAIC Mid-Year 2023 U.S. Life and A&H Insurance Industry Analysis Report is a limited scope analysis based on the aggregated information filed to the NAIC's Financial Data Repository as of June 30, 2023, and written by the Financial Regulatory Services Department staff. This report does not constitute the official opinion or views of the NAIC membership or any particular state insurance department.