

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

Industry Overview

Table 1 provides the life insurance industry’s aggregate financial results for insurers filing with the NAIC on the life, accident & health annual statement blank.

- The life insurance industry reported an increase in overall profitability from year-end 2018 of 34.1% to \$39.7 billion.
- Direct written premiums and deposits increased 6.4% to \$967.8 billion largely due to a \$31.1 billion (18.7%) increase in deposit-type contracts to \$197.8 billion.
- The industry’s total capital and surplus increased 5.6% to \$438.9 billion compared to prior year-end.
- Total net admitted assets increased 8.4% to \$7.6 trillion compared to prior year-end.

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Table 1—Financial Synopsis: December 31, 2019-2010
Life and Accident & Health Insurance Industry

<i>(\$ In Billions)</i>	Change	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operations											
Direct Written Premium	6.4%	\$967.8	\$909.6	\$859.0	\$836.3	\$826.6	\$788.6	\$782.1	\$829.8	\$785.4	\$732.2
Life Direct Written Premium	4.2%	\$193.2	\$185.4	\$187.0	\$179.3	\$177.7	\$170.9	\$169.1	\$178.3	\$170.5	\$162.2
A&H Direct Written Premium	4.1%	\$205.8	\$197.7	\$191.4	\$180.4	\$172.7	\$168.9	\$183.4	\$180.3	\$179.1	\$177.3
Annuities	9.0%	\$302.0	\$277.0	\$247.0	\$254.3	\$264.9	\$261.3	\$248.6	\$272.6	\$254.7	\$235.8
Other Considerations	(16.7)%	\$69.0	\$82.8	\$74.4	\$79.0	\$76.0	\$71.1	\$77.8	\$91.0	\$86.6	\$69.2
Deposits	18.7%	\$197.8	\$166.7	\$159.2	\$143.3	\$135.5	\$116.4	\$103.2	\$107.7	\$94.4	\$87.7
Assumed Premium	2.5%	\$171.7	\$167.5	\$127.0	\$115.6	\$147.0	\$82.0	\$99.5	\$89.7	\$79.5	\$66.9
Ceded Premium	(10.4)%	\$253.0	\$282.4	\$223.9	\$193.8	\$191.1	\$103.6	\$199.4	\$151.5	\$135.7	\$122.5
Net Earned Premium	12.7%	\$691.5	\$613.5	\$607.8	\$611.9	\$651.1	\$657.8	\$590.7	\$653.0	\$631.5	\$591.0
Net Investment Income	0.6%	\$187.4	\$186.3	\$182.7	\$176.0	\$172.8	\$174.8	\$170.5	\$169.4	\$170.0	\$166.4
Benefits	4.3%	\$307.9	\$295.2	\$285.3	\$274.9	\$266.8	\$254.0	\$265.5	\$255.7	\$252.4	\$246.7
Commissions & Gen. Expenses	11.2%	\$141.7	\$127.4	\$127.0	\$132.1	\$118.5	\$113.7	\$114.3	\$112.2	\$109.9	\$106.3
Operating Income	33.7%	\$46.4	\$34.7	\$45.4	\$46.9	\$40.9	\$35.5	\$54.4	\$49.0	\$21.6	\$42.7
Realized Gains/(Losses)	(51.4)%	(\$6.7)	(\$4.4)	(\$6.2)	(\$11.3)	(\$3.4)	(\$1.2)	(\$11.9)	(\$9.5)	(\$8.6)	(\$16.1)
Net Income/(Loss)	34.1%	\$39.7	\$29.6	\$38.5	\$34.9	\$36.8	\$33.7	\$41.8	\$38.9	\$12.2	\$25.8
Net Cash From Operations	0.2%	\$175.0	\$174.6	\$171.8	\$184.0	\$165.2	\$137.4	\$145.1	\$135.2	\$156.8	\$135.5
Number of Filers	(1.6)%	782	795	798	814	823	841	849	866	893	916
Capital and Surplus											
Unrealized Gains/(Losses)	448.9%	\$16.0	(\$4.6)	\$4.0	(\$2.7)	(\$10.5)	\$23.0	(\$3.9)	\$5.2	\$13.9	\$8.4
Capital and Surplus	5.6%	\$438.9	\$415.6	\$409.2	\$395.3	\$380.5	\$364.8	\$341.2	\$333.2	\$314.3	\$313.3
Stockholder Dividends	(21.5)%	(\$34.7)	(\$44.3)	(\$36.5)	(\$43.7)	(\$33.1)	(\$39.1)	(\$31.0)	(\$22.2)	(\$27.2)	(\$24.1)
ROE	1.9 pts.	9.0%	7.1%	9.4%	8.8%	9.7%	9.2%	12.3%	11.7%	3.9%	8.2%
Assets											
Cash & Invested Assets	5.4%	\$4,497.2	\$4,268.7	\$4,215.2	\$4,031.9	\$3,836.6	\$3,755.5	\$3,596.1	\$3,513.6	\$3,462.1	\$3,292.7
Net Adm. Assets (excl. S. A.)	5.5%	\$4,778.9	\$4,529.9	\$4,465.8	\$4,285.7	\$4,067.7	\$3,979.2	\$3,794.4	\$3,700.8	\$3,637.3	\$3,454.4
Separate Account Assets	13.7%	\$2,833.4	\$2,492.5	\$2,743.8	\$2,520.4	\$2,437.9	\$2,447.3	\$2,349.9	\$2,069.8	\$1,849.4	\$1,853.3
Total Net Admitted Assets	8.4%	\$7,611.7	\$7,022.4	\$7,209.5	\$6,806.2	\$6,505.6	\$6,402.7	\$6,123.3	\$5,754.0	\$5,472.9	\$5,294.6
Net Investment Yield	(0.1) pts.	4.3%	4.4%	4.4%	4.5%	4.6%	4.8%	4.8%	4.9%	5.0%	5.2%
ROA	0.2 pts.	0.9%	0.7%	0.9%	0.8%	0.9%	0.9%	1.1%	1.1%	0.3%	0.8%

Note: Adjustments to exclude affiliated amounts were made where appropriate.

Note: Figures reflect filings received as of May 15, 2020, and may change due to additional filings or amendments.

Note: All prior-year numbers have been updated to include Life & Fraternal.

Filings

As shown in **Figure 1**, for year-end 2019, a total of 782 companies filed with the NAIC on the life, accident & health annual statement blank. There were 7 companies that reported to be party to a merger, three less than reported in 2018.

Premium

The life industry reported an increase of 6.4% (\$58.2 billion) in total direct written premium and deposits to \$967.8 billion in 2019. Total net written premium and deposits increased 11.6% (\$91.8 billion) to \$886.6 billion. **Table 2** shows total direct written, assumed, ceded and net premium by line of business for the last two years.

Reinsurance

Total ceded premium decreased 10.4% (\$29.5 billion), of which the largest decrease was seen in the annuities line of business, with a decrease of 45.2% or \$52.0 billion to \$63.1 billion for 2019. The majority of the change in ceded premium is reflected in six companies with increases or decreases of more than \$10 billion. Of the 571 companies that reported ceded premiums, 92 companies with over \$100 million in ceded premiums reported changes of over 25% from 2018.

Total assumed premium increased 2.5%, or \$4.2 billion, primarily driven by the life line of business, which increased \$27.6 billion for 2019, offset partially by a \$21.3 billion decrease in the annuities line of business. The majority of the change in assumed premium is reflected in three companies with increases or decreases of more than \$10 billion. Of the 395 companies that reported assumed premiums, 28 companies with over \$100 million in assumed premium reported changes of over 25% from 2018.

Life Insurance

The life insurance line of business reported a 3.7% or \$5.7 million increase to \$157.7 million on a net basis due to a combination of the \$27.6 million increase in assumed premiums and a \$29.7 increase in ceded premium for 2018.

Deposit-type Contracts

Deposit-type contracts of \$164.5 million experienced a 19.6%, or \$32.3 billion, increase over what was reported in 2018, and a 66.0% increase over the \$118.6 million reported in 2010.

Annuities

Net premiums for annuity considerations increased 24.8%, or \$55.6 billion, to \$279.5 billion for year-end 2019. **Figure 2**, on the next page, shows a breakdown of annuities by line

Figure 1

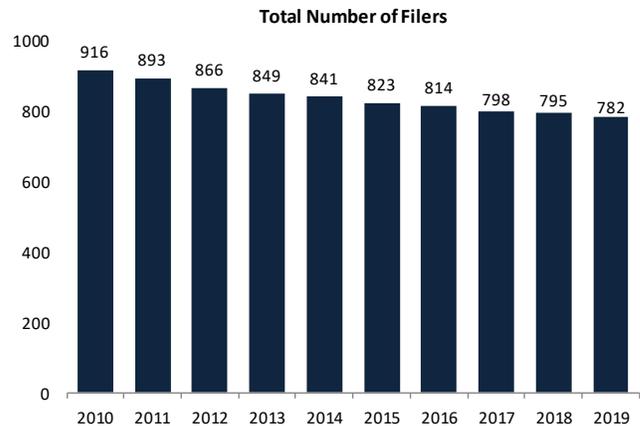


Table 2—Total Written Premium by LOB

	(\$ in Billions)			
Life Insurance	% Chg.	\$ Chg.	2019	2018
Direct Premium	4.2%	\$7.8	\$193.2	\$185.4
Assumed Premium	40.6%	\$27.6	\$95.5	\$67.9
Gross Premium	14.0%	\$35.4	\$288.7	\$253.3
Ceded Premiums	29.3%	\$29.7	\$131.0	\$101.3
Net Premium	3.7%	\$5.7	\$157.7	\$152.0
Annuity Considerations	% Chg.	\$ Chg.	2019	2018
Direct Premium	9.0%	\$24.9	\$302.0	\$277.0
Assumed Premium	(34.4)%	(\$21.3)	\$40.6	\$62.0
Gross Premium	1.1%	\$3.6	\$342.6	\$339.0
Ceded Premiums	(45.2)%	(\$52.0)	\$63.1	\$115.1
Net Premium	24.8%	\$55.6	\$279.5	\$224.0
A&H Insurance	% Chg.	\$ Chg.	2019	2018
Direct Premium	4.1%	\$8.1	\$205.8	\$197.7
Assumed Premium	(7.6)%	(\$2.6)	\$31.7	\$34.3
Gross Premium	2.4%	\$5.5	\$237.5	\$232.0
Ceded Premiums	6.2%	\$2.9	\$50.5	\$47.5
Net Premium	1.4%	\$2.6	\$187.0	\$184.4
Other	% Chg.	\$ Chg.	2019	2018
Direct Premium	(16.7)%	(\$13.8)	\$69.0	\$82.8
Assumed Premium	7.2%	\$0.1	\$1.5	\$1.4
Gross Premium	(16.3)%	(\$13.7)	\$70.5	\$84.2
Ceded Premiums	(65.4)%	(\$9.4)	\$5.0	\$14.4
Net Premium	(6.2)%	(\$4.3)	\$65.5	\$69.8
Deposit-type Contracts	% Chg.	\$ Chg.	2019	2018
Direct Premium	18.7%	\$31.1	\$197.8	\$166.7
Assumed Premium	21.4%	\$0.4	\$2.5	\$2.0
Gross Premium	18.7%	\$31.6	\$200.3	\$168.7
Ceded Premiums	(17.3)%	(\$0.7)	\$3.4	\$4.1
Net Premium	19.6%	\$32.3	\$196.8	\$164.5

of business for 2019. As you can see, variable annuities accounted for 44% of total annuity considerations for 2019.

On an earned basis, the industry reported a 12.7% (\$78.1 billion) increase in direct earned premium to \$691.6 billion. **Figure 3** illustrates the industry’s 2019 direct earned premium allocation by sector. Individual annuities accounted for 46.0% of total annuity premiums. Group A&H accounted for 45.1% of total A&H premiums. Ordinary life insurance accounted for 49.4% of total life premiums.

Table 3, on the next page, illustrates state detail for 2019 and 2018, by premium type, with the three largest states for each premium type highlighted. As you can see in the table, California has the largest percentage of premiums in life insurance, annuity considerations, and other considerations. Texas has the largest percentage of premiums in A&H insurance and New York has the largest percentage of deposit-type contract funds.

Investment Income

Net investment income decreased 0.3% (\$655.7 million), to \$198.8 billion in 2019 compared to \$199.5 billion in 2018. The increase was driven by the following:

- Investment income from derivatives decreased \$4.0 billion to \$2.3 billion
- Investment income from affiliated common stock decreased \$1.9 billion to \$11.3 billion
- Investment income from unaffiliated other bonds increased \$3.6 billion to \$132.7 billion
- Investment income from mortgage loans increased \$2.5 billion to \$25.8 billion

The industry’s invested asset portfolio increased 5.4% to \$4.5 trillion at year-end 2019. **Figure 4** illustrates net investment income by asset class.

The Other Investments Category*, seen in **Figure 4** decreased to 12.7% of total investment income, from 14.4% at year-end 2018, primarily from a 1.9 points decrease in derivatives to 1.1% .

Figure 2
2019 Annuity Considerations Distribution

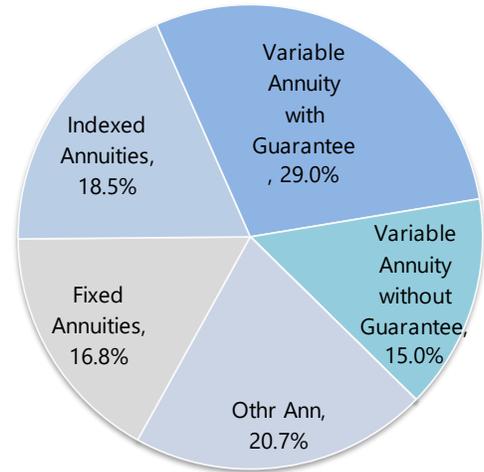


Figure 3
2019 Direct Earned Premium by Sector

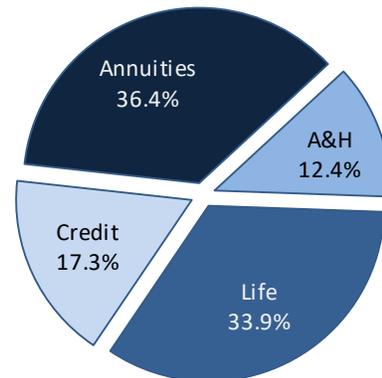
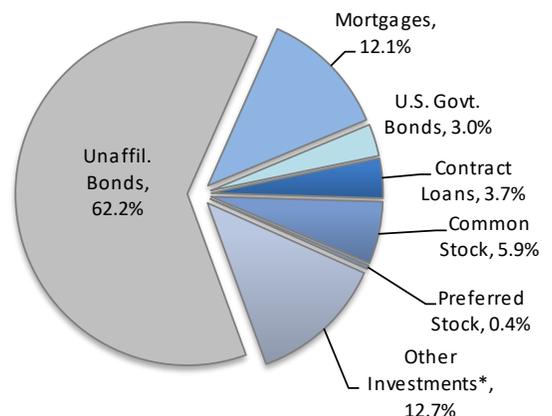


Figure 4
Net Investment Income Allocation



* Includes: affiliated bonds, real estate, cash, short-term investments, derivatives, BA Assets, and write-ins.

Table 3 - Premiums by State

(\$ in Millions) State	Life Insurance Premiums			Annuity Considerations			A&H Insurance Premiums			Other Considerations			Deposit-Type Contracts		
	% Chg	2019	2018	% Chg	2019	2018	% Chg	2019	2018	% Chg	2019	2018	% Chg	2019	2018
Alabama	7%	\$2,392	\$2,244	7%	\$3,265	\$3,047	5%	\$1,925	\$1,840	(17%)	\$424	\$512	(7%)	\$246	\$265
Alaska	16%	\$523	\$451	(4%)	\$384	\$400	(4%)	\$310	\$322	3%	\$246	\$239	10%	\$25	\$23
Arizona	8%	\$2,720	\$2,526	21%	\$6,745	\$5,557	(0%)	\$4,062	\$4,064	(37%)	\$1,170	\$1,846	16%	\$374	\$322
Arkansas	(2%)	\$1,125	\$1,153	24%	\$2,014	\$1,625	2%	\$1,066	\$1,047	(17%)	\$245	\$297	28%	\$98	\$77
California	7%	\$19,030	\$17,801	8%	\$28,210	\$26,115	5%	\$15,669	\$14,924	(0%)	\$10,198	\$10,248	4%	\$2,912	\$2,789
Colorado	6%	\$2,965	\$2,808	1%	\$5,716	\$5,683	4%	\$4,379	\$4,198	(9%)	\$931	\$1,025	(2%)	\$1,202	\$1,224
Connecticut	3%	\$2,644	\$2,570	21%	\$6,478	\$5,353	2%	\$3,150	\$3,077	(20%)	\$1,804	\$2,268	3%	\$9,454	\$9,219
Delaware	9%	\$1,468	\$1,351	5%	\$2,753	\$2,612	3%	\$799	\$774	21%	\$668	\$553	(1%)	\$55,611	\$56,274
Dist. Columbia	(5%)	\$416	\$438	9%	\$747	\$688	7%	\$1,111	\$1,039	(15%)	\$668	\$789	(27%)	\$1,040	\$1,434
Florida	11%	\$10,862	\$9,798	15%	\$22,631	\$19,605	11%	\$16,542	\$14,934	(43%)	\$2,651	\$4,679	(1%)	\$1,492	\$1,510
Georgia	2%	\$5,230	\$5,145	12%	\$6,434	\$5,733	7%	\$9,203	\$8,587	(18%)	\$2,545	\$3,092	(28%)	\$1,475	\$2,036
Hawaii	2%	\$865	\$850	4%	\$1,555	\$1,500	(2%)	\$1,208	\$1,227	(32%)	\$307	\$449	34%	\$102	\$77
Idaho	3%	\$630	\$613	(2%)	\$1,198	\$1,228	1%	\$846	\$835	(9%)	\$267	\$293	30%	\$106	\$81
Illinois	12%	\$8,088	\$7,248	15%	\$11,750	\$10,177	6%	\$6,630	\$6,232	(22%)	\$2,246	\$2,873	102%	\$2,775	\$1,371
Indiana	(6%)	\$2,945	\$3,133	6%	\$6,042	\$5,715	4%	\$5,041	\$4,840	(26%)	\$776	\$1,054	55%	\$3,648	\$2,348
Iowa	(0%)	\$2,525	\$2,533	(3%)	\$3,259	\$3,356	2%	\$1,585	\$1,552	40%	\$4,493	\$3,219	10%	\$8,848	\$8,022
Kansas	3%	\$1,464	\$1,425	14%	\$2,667	\$2,339	3%	\$4,106	\$4,002	(28%)	\$296	\$412	(9%)	\$1,179	\$1,299
Kentucky	4%	\$1,725	\$1,659	10%	\$2,972	\$2,711	3%	\$1,838	\$1,783	(24%)	\$674	\$890	38%	\$375	\$272
Louisiana	(2%)	\$2,457	\$2,498	5%	\$3,778	\$3,602	11%	\$2,424	\$2,179	(9%)	\$542	\$595	(5%)	\$266	\$281
Maine	2%	\$470	\$460	(1%)	\$1,281	\$1,289	4%	\$962	\$926	(24%)	\$170	\$223	(5%)	\$65	\$69
Maryland	3%	\$3,240	\$3,131	8%	\$5,765	\$5,328	6%	\$4,005	\$3,773	(14%)	\$1,159	\$1,351	18%	\$822	\$694
Massachusetts	9%	\$4,212	\$3,856	8%	\$8,467	\$7,815	7%	\$3,845	\$3,588	0%	\$3,455	\$3,438	(11%)	\$1,591	\$1,785
Michigan	1%	\$4,820	\$4,758	(1%)	\$10,974	\$11,083	4%	\$3,810	\$3,651	(30%)	\$1,312	\$1,868	11%	\$1,359	\$1,219
Minnesota	1%	\$5,072	\$5,010	8%	\$5,892	\$5,459	8%	\$1,898	\$1,751	13%	\$2,434	\$2,158	(17%)	\$788	\$947
Mississippi	2%	\$1,337	\$1,307	2%	\$1,815	\$1,784	5%	\$1,582	\$1,508	(23%)	\$158	\$206	(58%)	\$119	\$281
Missouri	3%	\$2,982	\$2,882	7%	\$6,620	\$6,185	1%	\$4,927	\$4,871	(50%)	\$1,040	\$2,079	(14%)	\$648	\$752
Montana	4%	\$409	\$394	3%	\$534	\$516	3%	\$438	\$427	(10%)	\$160	\$177	22%	\$45	\$36
Nebraska	2%	\$1,208	\$1,181	13%	\$2,172	\$1,925	3%	\$1,649	\$1,598	(43%)	\$276	\$486	90%	\$953	\$502
Nevada	3%	\$1,228	\$1,189	16%	\$1,936	\$1,676	7%	\$1,436	\$1,336	(6%)	\$482	\$512	(40%)	\$187	\$311
New Hampshire	3%	\$649	\$627	(10%)	\$2,048	\$2,271	5%	\$755	\$716	(75%)	\$216	\$861	(37%)	\$94	\$148
New Jersey	5%	\$6,879	\$6,544	16%	\$13,989	\$12,078	23%	\$8,480	\$6,915	15%	\$3,122	\$2,724	(9%)	\$1,363	\$1,504
New Mexico	2%	\$688	\$674	9%	\$1,156	\$1,063	(1%)	\$1,137	\$1,147	1%	\$450	\$447	435%	\$437	\$82
New York	4%	\$13,023	\$12,497	3%	\$19,632	\$19,093	13%	\$11,444	\$10,162	(31%)	\$6,299	\$9,140	57%	\$64,338	\$41,076
North Carolina	5%	\$5,162	\$4,923	16%	\$8,971	\$7,712	6%	\$6,739	\$6,381	(51%)	\$1,355	\$2,774	15%	\$777	\$676
North Dakota	3%	\$510	\$497	(0%)	\$739	\$742	(5%)	\$335	\$351	(22%)	\$144	\$186	0%	\$87	\$87
Ohio	2%	\$5,379	\$5,269	15%	\$13,287	\$11,580	3%	\$8,184	\$7,966	(30%)	\$1,623	\$2,334	25%	\$18,618	\$14,951
Oklahoma	(1%)	\$1,510	\$1,519	(4%)	\$2,159	\$2,238	(3%)	\$1,792	\$1,840	(17%)	\$459	\$556	17%	\$287	\$246
Oregon	2%	\$1,353	\$1,320	13%	\$3,042	\$2,704	7%	\$2,311	\$2,154	12%	\$1,263	\$1,130	(8%)	\$231	\$251
Pennsylvania	7%	\$7,081	\$6,642	13%	\$16,421	\$14,544	5%	\$8,136	\$7,746	(17%)	\$2,638	\$3,160	140%	\$7,007	\$2,919
Rhode Island	1%	\$467	\$463	30%	\$1,640	\$1,260	(1%)	\$533	\$541	(12%)	\$181	\$206	(40%)	\$81	\$136
South Carolina	5%	\$2,424	\$2,316	15%	\$4,593	\$3,991	9%	\$4,462	\$4,101	(28%)	\$360	\$504	8%	\$261	\$242
South Dakota	24%	\$1,124	\$910	4%	\$668	\$641	3%	\$440	\$426	(25%)	\$91	\$122	22%	\$319	\$262
Tennessee	(1%)	\$3,285	\$3,303	(10%)	\$5,056	\$5,643	(0%)	\$3,831	\$3,846	(5%)	\$1,165	\$1,226	(7%)	\$883	\$944
Texas	3%	\$12,909	\$12,511	7%	\$18,970	\$17,694	4%	\$18,778	\$18,046	(11%)	\$2,831	\$3,190	(52%)	\$2,458	\$5,155
Utah	1%	\$1,514	\$1,500	13%	\$2,841	\$2,510	(1%)	\$1,418	\$1,439	(24%)	\$468	\$618	(4%)	\$349	\$363
Vermont	3%	\$268	\$259	5%	\$627	\$597	2%	\$392	\$385	(2%)	\$153	\$155	(30%)	\$58	\$83
Virginia	2%	\$4,470	\$4,391	6%	\$6,771	\$6,377	(2%)	\$5,844	\$5,956	(16%)	\$1,165	\$1,394	6%	\$811	\$766
Washington	6%	\$2,849	\$2,681	16%	\$5,697	\$4,917	8%	\$4,434	\$4,106	(3%)	\$1,611	\$1,667	(35%)	\$372	\$572
West Virginia	1%	\$662	\$652	3%	\$1,276	\$1,237	3%	\$886	\$864	(14%)	\$139	\$161	24%	\$121	\$97
Wisconsin	31%	\$3,833	\$2,935	11%	\$6,468	\$5,853	6%	\$4,092	\$3,865	(5%)	\$1,137	\$1,197	1%	\$731	\$727
Wyoming	35%	\$380	\$281	(22%)	\$398	\$512	4%	\$395	\$380	(8%)	\$70	\$76	19%	\$36	\$30
American Samoa	8%	\$3	\$3	(87%)	\$0	\$0	319%	\$0	\$0	0%	\$0	\$0	0%	\$0	\$0
Guam	(1%)	\$58	\$58	(19%)	\$9	\$11	22%	\$65	\$53	41%	\$6	\$4	(19%)	\$0	\$0
Puerto Rico	2%	\$550	\$538	16%	\$800	\$690	(41%)	\$497	\$848	(36%)	\$85	\$132	54%	\$31	\$20
U.S. Virgin Islands	45%	\$31	\$21	391%	\$35	\$7	(7%)	\$247	\$265	40%	\$7	\$5	63%	\$0	\$0
Northern Mariana Islands	(12%)	\$9	\$10	67%	\$0	\$0	11%	\$39	\$35	0%	\$0	\$0	0%	\$0	\$0
Canada	(0%)	\$498	\$499	26%	\$26	\$21	(2%)	\$426	\$436	40%	\$32	\$23	2%	\$74	\$72
Aggregate other alien	(34%)	\$1,687	\$2,548	(58%)	\$90	\$214	(63%)	\$1,487	\$4,064	(88%)	\$15	\$124	(75%)	\$4	\$16

The industry’s net investment yield decreased 0.1 percentage point to 4.3% as seen in **Figure 5**. In 2019 and 2020, the Federal Reserve decreased the federal funds interest rate as follows:

- 2019
 - August 1—to 2.00% from 2.25%
 - September 19—to 1.75% from 2.00%
 - October 31—to 1.50% from 1.75%
- 2020
 - March 3—to 1.00% from 1.50%
 - March 16—to 0.25% from 1.00%

Operations

The industry reported profitability of \$39.7 billion in 2019 compared to \$29.6 billion for 2018, a \$10.1 billion increase. The largest increase was seen in premiums, which increased \$81.1 billion to \$691.6 billion for year-end 2019. The changes are shown below on **Table 4**.

Realized losses in derivative instruments were \$5.1 billion for 2019 compared to realized losses of \$4.5 billion for 2018. Concurrently, unaffiliated other bonds reported realized gains of \$4.4 billion compared to losses of \$397.9 million for 2018. The impact realized losses have had on net income over the past ten years is depicted in **Figure 6**. As illustrated in **Figure 6**, the industry’s return on assets has dropped since 2012 by 18.2%.

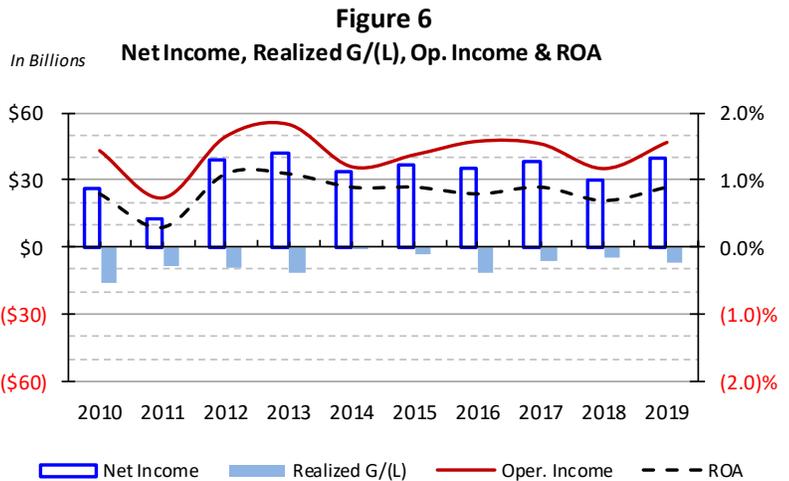
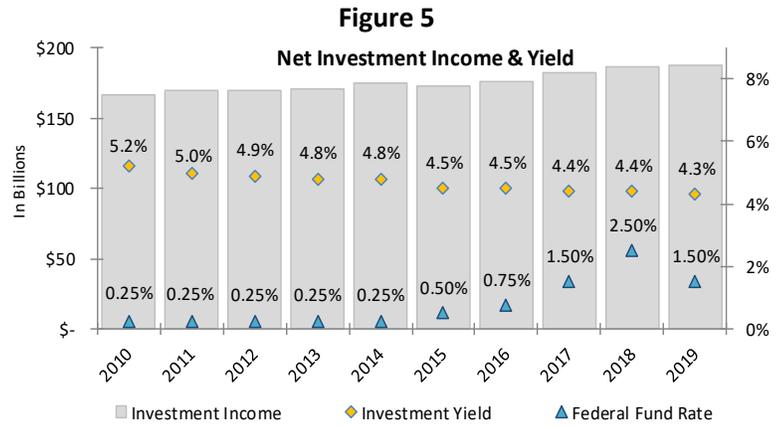
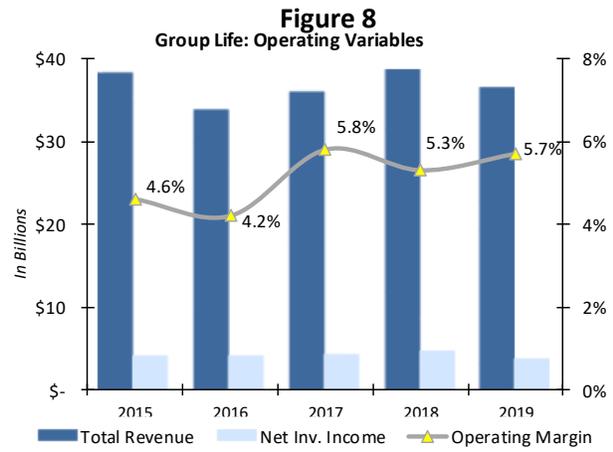
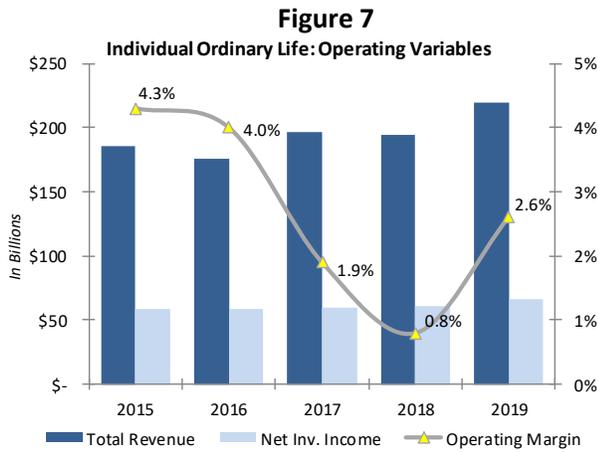


Table 4 - Changes in Net Income / (Loss)

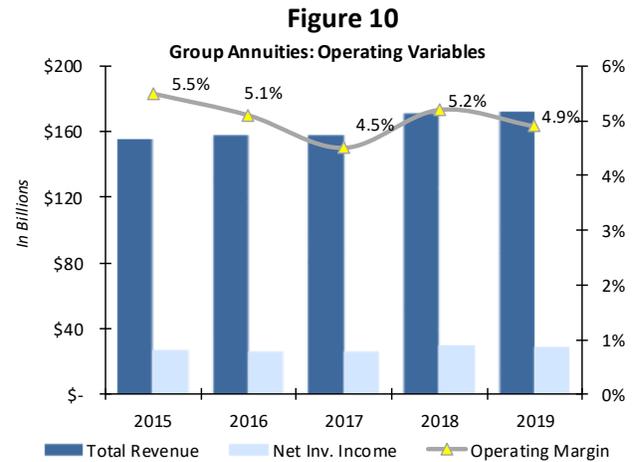
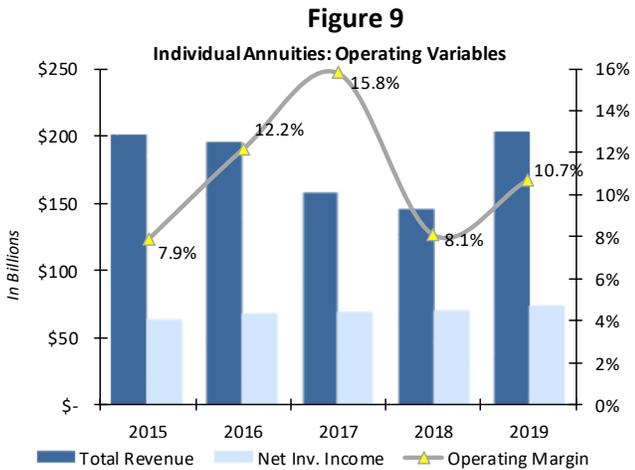
<i>\$ In Billions</i>	% Change	\$ Change	2019	2018
Premiums	13.3%	\$81.1	\$691.6	\$610.4
Net Investment Income	2.1%	\$3.9	\$193.7	\$189.7
Reserve Adjustments on Reins Ceded	-192.8%	(\$61.8)	(\$29.7)	\$32.0
Total Revenues	3.3%	\$30.5	\$959.0	\$928.5
Surrender Benefits & Withdrawals for Life Contracts	-2.8%	(\$9.8)	\$344.7	\$354.5
Increase in Agg Reserves for Life and A&H Contracts	-17.0%	(\$23.4)	\$113.8	\$137.2
Commissions & Exp Allowances on Reins Assumed	75.2%	\$10.7	\$24.9	\$14.2
Net Transfers To or (From) S.A. Net of Reins	18.8%	\$16.8	(\$72.7)	(\$89.5)
Total Expenses	1.7%	\$14.4	\$872.9	\$858.5
Federal and Foreign Income Taxes Incurred	178.9%	\$6.1	\$9.5	\$3.4
Net Realized Capital Gains/(Losses)	-57.7%	(\$2.5)	(\$6.7)	(\$4.3)
Net Income/(Loss)	17.7%	\$7.7	\$51.1	\$43.4

** unadjusted basis

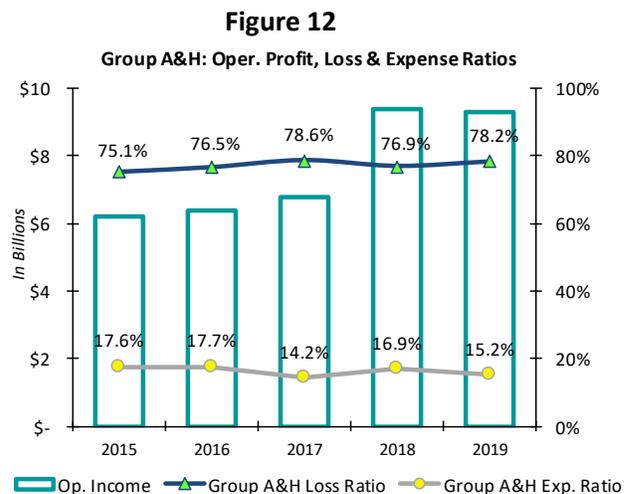
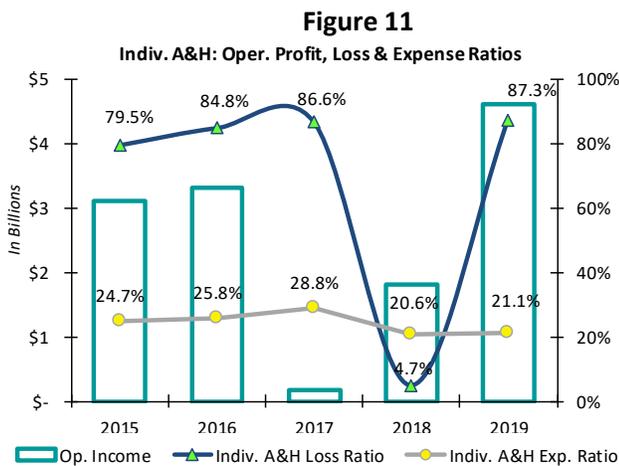
Figures 7-10 show the total revenue, net investment income, and operating margin for the individual and group life sectors and the individual and group annuities sectors over the past five years.



As illustrated in Figures 9 and 10, the operating margins for individual annuities sector have experienced significantly more change than for the group annuities line.



Figures 11 and 12 show the operating profit, loss ratio, and expense ratio for the individual and group A&H sectors over the past five years. The large decline in Individual A&H loss ratio for 2018 was due to a \$39.7 billion decrease in reserves compared to an \$9.9 billion increase in 2019.



Assets

The life industry reported an 8.4% increase in total net admitted assets at Dec. 31, 2019 to \$7.6 trillion. The increase was primarily in separate accounts, which increased 13.7% to \$2.8 trillion and accounted for 37.2% of total net admitted assets. Over the past five years, the industry has seen significant increases in several asset classes as shown in the 5-year change column in **Table 5**. See page 9 for discussion of separate accounts.

Table 5 - Invested Assets

(\$ In Billions)	2019 % of Total	2015 % of Total	5-Yr % Chg	1-Yr % Chg	2019	2018	2015
Bonds	71.5%	74.2%	12.9%	3.4%	\$3,213.7	\$3,108.2	\$2,845.3
Common Stock	2.0%	1.9%	19.9%	12.9%	\$89.4	\$79.2	\$74.6
Preferred Stock	0.3%	0.3%	37.7%	5.7%	\$13.7	\$12.9	\$9.9
Mortgage Loans	12.9%	10.8%	39.5%	8.4%	\$578.6	\$534.0	\$414.9
Real Estate	0.5%	0.6%	(2.9)%	12.5%	\$23.3	\$20.7	\$24.0
Cash & S/T Investments	2.7%	2.8%	15.8%	14.9%	\$123.5	\$107.6	\$106.7
Derivatives	1.8%	1.4%	47.9%	41.1%	\$79.6	\$56.5	\$53.8
BA Assets	4.7%	4.0%	37.2%	10.2%	\$213.1	\$193.4	\$155.4
Other Invested Assets	3.6%	4.0%	7.0%	4.1%	\$162.7	\$156.3	\$152.0
Total Invested Assets	100.0%	100.0%	17.2%	5.4%	\$4,497.7	\$4,268.7	\$3,836.6

As seen in **Figure 13**, the industry has seen an increase in affiliated investments over the past ten years. The largest components of affiliated investments were:

- common stock—\$136.9 billion
- other affiliated assets—\$100.5 billion
- affiliated bonds—\$34.7 billion

As seen in **Figure 14**, the majority of the industry’s bond portfolio is comprised of industrial and miscellaneous bonds, 77.6%.

Figure 13—Affiliated Investments

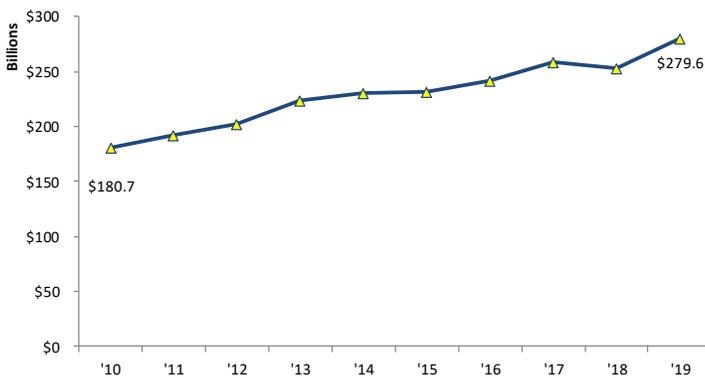
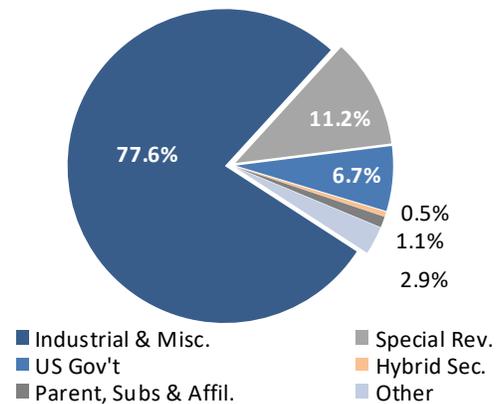
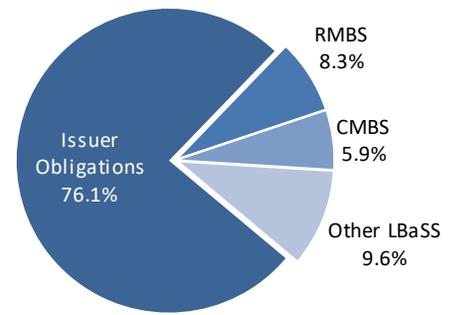


Figure 14—Bonds Distribution



The industry’s allocation of long-term bonds is shown in **Figure 15**, with the majority (76.1%) being issuer obligations. The industry’s holdings of noninvestment-grade bonds increased 1.7% (\$2.9 billion) and represented 5.2% of total bonds at Dec. 31, 2019. The distribution of bonds between class NAIC 1 through class NAIC 6 has been essentially flat for the last five years.

Figure 15—Bond Distribution



The life insurance industry maintains a relatively unchanged portfolio of bond durations with 32.6% of the holdings at year-end 2019 due to mature in five years or less compared with 32.8% at year-end 2015. Bonds with a maturity of ten years or later represented 37.7% of total bonds. **Figure 16** illustrates bond distribution by duration.

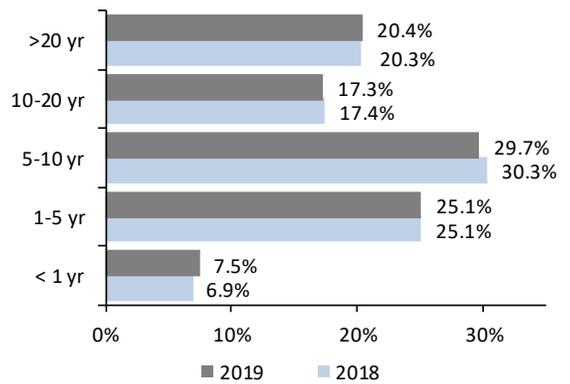
Liabilities

The life industry reported an 8.7% (\$573.0 billion) increase in total liabilities to \$7.2 trillion at year-end 2019. The largest increases were in the following:

- 3.4% (\$100.7 billion) increase in reserves for life contracts to \$3.0 trillion
- 20% (\$23.8 billion) increase in funds held under reinsurance treaties with unauthorized reinsurers to \$142.7 billion
- 73.0% (\$18.9 billion) increase in derivatives to \$44.8 billion
- 5.6% (18.4 billion) increase in liability for deposit-type contracts to \$348.7 billion

Figure 16

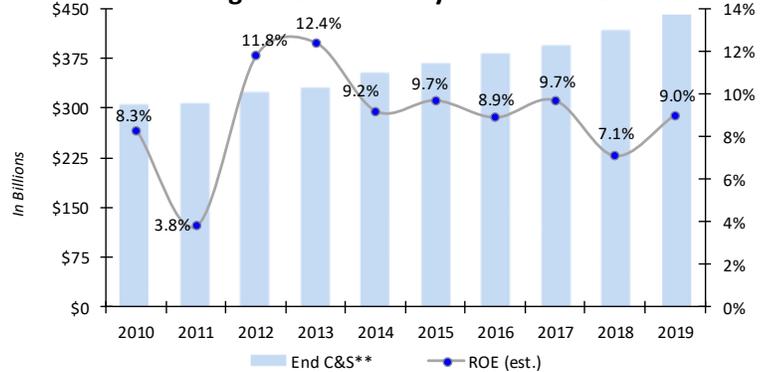
% of Total Bonds Held by Duration



Capital and Surplus

The life industry’s capital and surplus increased by 5.6% to \$438.9 billion compared to \$415.6 billion at Dec. 31, 2018 due primarily to the \$41 billion net income discussed on page 5, mostly offset by dividends paid to stockholders of \$34.7 billion.

Figure 17—Industry C&S and ROE



As seen in **Figure 17**, the industry’s return on equity increased to 9.0% from 7.1% in 2018 due mainly to the industry’s increase in net income.

Liquidity

The life industry reported operating cash flow of \$175.0 billion in 2019, up 0.2% (\$391.1 million) from \$174.6 billion in the prior year. The increase was primarily from an increase in net premiums of 7.7% (\$48.7 billion). Concurrently, miscellaneous income decreased 18.3% (\$17.4 billion) and commissions and expenses paid increased 12.1% (\$16.5 billion). Transfers to separate accounts was \$(76.8) billion compared to \$(91.0) billion for 2018, partially offsetting the increase.

Figure 18—Operating Cash Flow & Surrenders



The industry experienced a 2.8% (\$9.9 billion) decrease in surrender benefits to \$344.7 billion. **Figure 18**, shows the industry’s operating cash flow and surrender activity over the past ten years.

The life industry reported \$(170.6) billion in net cash from investment activity as total investment proceeds of \$766.6 billion were surpassed by \$935.4 billion in total investments acquired. The largest decrease in investments acquired was \$16.5 billion in bonds to \$713.2 billion and \$7.2 billion in stocks to \$27.6 billion. Net cash from financing activity increased 181.8% (\$27.2 billion) to \$12.2 billion mostly from a \$28.6 billion increase in other cash applied to \$22.0 billion.

Separate Accounts

The life industry reported an 13.7% increase in separate account assets to \$2.8 trillion at Dec. 31, 2019. Likewise, total separate account liabilities increased 13.7% to \$2.8 trillion. Aggregate separate account reserves for life, annuity and A&H products increased 13.8% (\$307.1 billion) to \$2.5 trillion and liability for deposit-type contracts increased 14.9% (\$29.0 billion) to \$223.0 billion.

Net investment income and capital gains and losses increased to \$448.2 billion compared to \$(108.6) billion for 2018. Net gain from operations decreased 160.6% (\$2.1 billion) to \$(801.8) million.

Separate account fees decreased 1.1% to \$37.3 billion from \$38.0 billion at Dec. 31, 2018. The ratio of separate account fees to separate account assets decreased to 1.3% from 1.5% and the industry’s CARVM allowance decreased 4.8% to \$(27.2) billion. Separate account surplus decreased 7.7% (\$246.2 million) to \$2.9 billion compared to year-end 2018.

Table 6 - Separate Accounts

<i>\$ In Millions</i>	% Change	2019	2018
Totals Revenue	793.5%	\$635,594	\$71,133
Net premiums	4.3%	\$188,056	\$180,281
Net investment income and capital gains and losses	512.8%	\$448,248	(\$108,595)
Total Benefits and Expenses	(3.1%)	\$265,184	\$273,622
Death benefits	9.2%	\$8,560	\$7,841
Annuity benefits	3.5%	\$27,649	\$26,703
Surrender benefits and withdrawals for life contracts	(4.3%)	\$223,232	\$233,217
Fees for charges for investment mgt, admin and guarantees	(1.1%)	\$37,156	\$37,583
Increase in aggregate reserve for life and A&H contracts	236.4%	\$304,008	(\$222,891)
Increase in liability for deposit-type contracts	289.4%	\$31,498	(\$16,629)
Net gain from operations	(160.6%)	(\$802)	\$1,324
Surplus	(7.7%)	\$2,946	\$3,192
Assets	13.7%	\$2,833,387	\$2,492,500
Liabilities	13.7%	\$2,833,387	\$2,492,544
CARVM Allowance	(4.8%)	(\$27,215)	(\$25,963)

2020—Impacts of COVID-19 Pandemic on the Life Insurance Industry

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. COVID-19 has already had a significant impact on the operations of most U.S. insurers, which is expected to continue through 2020.

Bond Portfolios

The financial market conditions resulting from the COVID-19 pandemic pose credit risk for life insurers with the possible risk of default and downgrade in the bond market, which may be a higher concern for insurers already holding large blocks of non-investment grade bonds. Life insurers’ non-investment grade bonds totaled \$171 billion at year-end 2019, accounting for 5.3% of total bonds. Additionally, some insurers holding large amounts of collateralized loan obligations (CLOs) may be exposed to downgrade risks. Life insurers held \$126 billion in total CLOs (BACV) at year-end 2019, representing 77% of the insurance industry’s total CLO holdings, according to the NAIC’s Capital Markets Bureau May 14, 2020, Special Report, “The Rise in the U.S. Insurance Industry’s Exposure to Collateralized Loan Obligations as of Year-End 2019”.

Commercial Mortgage Loans

Due to the business shut downs in every state from stay-at-home orders, social distancing and unemployment, the re-

tail sector of the commercial mortgage market may be exposed to adverse market conditions. The CMB' reported in its May 5, 2020 Special Report "U.S. Insurers Exposure to Retail Commercial Mortgage Loans at Year-end 2019" that life insurers held retail commercial mortgages of \$602 billion (book value), and represent 96% of the insurance industry's total mortgage loan holdings.

Common Stock

Although markets continue to fluctuate significantly, stock market declines since the COVID-19 pandemic began, resulted in an almost 25% drop in market value of U.S. life insurers' exposure to unaffiliated publicly traded common stock, according to the research of the CMB on April 23, 2020. As the CMB reported in its April 23, 2020 Special Report on "U.S. Insurers' Exposure to Unaffiliated Common Stock at Year-End 2019— Volatility Prevails", sectors most heavily impacted have been energy (oil and gas), industrial (airlines, construction, roads and rail), travel, and retail.

Low Interest Rate Environment

Life insurers face multiple risks resulting from the return of a low interest rate environment. After the Federal Reserve began raising rates in 2015 after years of a low interest rate environment, earlier this year rates were once again lowered due to impact this public health crisis has had on the economy. As noted on page 5, the Federal Reserve cut the federal funds rate to between 0% and 0.25% on March 16, 2020. Life insurers are at risk of lower future investment income as insurers may need to reinvest maturing bonds with assets that lower interest rates. Also, insurers may still be holding lower yielding investments in their portfolios from the prolonged low interest rate environment that followed the financial crisis a decade ago. Insurers with products that contain interest rate guarantees may face challenges in generating adequate returns, depending on their interest rate spreads. Additionally, insurers may be required to carry additional reserves based on the results of actuarial/cash-flow analysis. Life products that are susceptible to interest rate changes include universal life with secondary guarantees (ULSG), fixed deferred annuities, variable annuities with guarantees, life contingent payout annuities and long-term care insurance.

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