

# 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 2021.
- Overall, the life industry reported \$20 billion of net income, a 127% increase compared to the first six months of 2020.
- Net premiums and deposits increased 10% to \$490 billion. Total direct premiums increased 8% to \$553 billion, assumed premiums increased 40% to \$94 billion, and ceded premiums increased 16% to \$156 billion.
- Life industry cash and invested assets increased 3% to \$5 trillion.
- The industry’s total capital and surplus increased 4% to \$470 billion compared to prior year-end, mainly driven by \$20 billion net income.
- Net cash from operations for the life industry decreased by 31% to \$71 billion.
- Total separate account assets increased 6% to \$3 trillion.

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**Table 1 - Life and Accident & Health Entities**

Financial Synopsis: June 30, 2021-2017

(\$ In Millions)	Change	2Q 2021	2Q 2020	2Q 2019	2Q 2018	2Q 2017
Direct Written Premium and Deposits	8%	\$552,661	\$513,490	\$472,168	\$449,895	\$429,850
Life Direct Written Premium	9%	\$102,294	\$94,078	\$94,244	\$91,789	\$91,726
A&H Direct Written Premium	2%	\$107,786	\$105,460	\$102,961	\$101,870	\$95,836
Annuities	16%	\$156,147	\$134,215	\$142,270	\$129,770	\$122,818
Deposits & Other DPW	4%	\$186,434	\$179,738	\$132,693	\$126,466	\$119,470
Net Earned Premium	12%	\$351,204	\$314,756	\$345,943	\$284,618	\$285,063
Net Investment Income	2%	\$100,443	\$98,920	\$96,466	\$98,324	\$95,709
General Expenses	3%	\$33,973	\$32,972	\$33,836	\$33,208	\$32,491
Operating Income	3,080%	\$31,782	\$1,000	\$32,491	\$27,372	\$30,639
Realized Gains/(Losses)	(257)%	(\$12,058)	\$7,676	(\$4,442)	(\$6,811)	(\$1,682)
Net Income/(Loss)	127%	\$19,724	\$8,672	\$28,049	\$20,561	\$28,957
Unrealized Gains/(Losses)	(11)%	\$12,127	\$13,671	\$10,676	(\$3,930)	\$4,203
ROA (Annualized)	0.3 pts	0.5%	0.2%	0.8%	0.6%	0.9%
Net Investment Yield	(0.1) pts	4.1%	4.2%	4.3%	4.7%	4.6%

**PREMIUM**

**Written Premiums**

The life industry reported an 8% (\$39 billion) increase in direct written premiums and deposits to \$553 billion for the first six months of 2021. Net written premiums and deposits increased 10% (\$44 billion) to \$490 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 increased 12% (\$15 billion) to \$143 billion. Both direct and assumed premiums increased by 9% (\$8 billion) and 20% (\$7 billion), respectively. Ceded premiums also increased 15% (\$8 billion) to \$61 billion, compared to second quarter 2020. Net life insurance premiums increased 9% (\$7 billion) to \$82 billion. The industry retention rate on life insurance premiums decreased 1 percentage point to 57%.

**Annuities**

Gross annuity considerations increased 28% (\$42 billion) to \$193 billion. Both direct and assumed premiums increased by 16% (\$22 billion) and 115% (\$20 billion), respectively. Ceded reinsurance increased 3% (\$1 billion) compared to second quarter of 2020. Total net annuity consideration increased 41% (\$41 billion) to \$140 billion for second quarter 2021. The industry retention rate on annuities increased 7 percentage points to 73%.

**A&H**

Gross A&H premiums increased by 2% (\$2 billion) to \$122 billion due primarily to a 2% (\$2 billion) increase in assumed premiums. Ceded premiums also increased 15% (\$4 billion) to \$28 billion. Total net A&H premiums decreased 1% (\$1 billion) to \$95 billion and the industry retention rate decreased 3 percentage points to 77%.

**Deposit-Type Contracts**

Gross deposits-type contract funds increased 10% (\$14 billion) to \$149 billion driven by a 10% (\$13 billion) increase in direct deposits. Ceded deposits also increased significantly by 150% (\$5 billion) to \$9 billion. Total net deposits increased 6% (\$9 billion) to \$141 billion. The industry retention rate on deposits decreased 3 percentage points to 94%.

**Other Considerations**

Gross other considerations decreased 15% (\$7 billion) to \$39 billion driven by a 15% (\$7 billion) decrease in direct other considerations. Ceded other considerations increased 152% (\$3 billion) for a total net other considerations decrease of 24% (\$10 billion) to \$33 billion.

**Table 2 – Total Written Premium by LOB**

(\$ in Billions)

<b>Direct Premiums</b>	<b>% Chg.</b>	<b>2Q'21</b>	<b>2Q'20</b>
Life Insurance	9%	\$102.3	\$94.1
Annuity Considerations	16%	\$156.1	\$134.2
A&H Insurance	2%	\$107.8	\$105.5
Deposit-type Contracts	10%	\$148.3	\$134.9
Other Considerations	(15)%	\$38.1	\$44.8
<b>Total</b>	<b>8%</b>	<b>\$552.7</b>	<b>\$513.5</b>

<b>Assumed Premium</b>	<b>% Chg.</b>	<b>2Q'21</b>	<b>2Q'20</b>
Life Insurance	20%	\$40.3	\$33.6
Annuity Considerations	115%	\$37.3	\$17.3
A&H Insurance	(0)%	\$14.4	\$14.5
Deposit-type Contracts	42%	\$1.1	\$0.8
Other Considerations	(39)%	\$0.5	\$0.9
<b>Total</b>	<b>40%</b>	<b>\$93.7</b>	<b>\$67.1</b>

<b>Ceded Premium</b>	<b>% Chg.</b>	<b>2Q'21</b>	<b>2Q'20</b>
Life Insurance	15%	\$61.1	\$53.2
Annuity Considerations	3%	\$53.2	\$51.8
A&H Insurance	15%	\$27.6	\$24.0
Deposit-type Contracts	150%	\$8.6	\$3.4
Other Considerations	152%	\$5.7	\$2.3
<b>Total</b>	<b>16%</b>	<b>\$156.2</b>	<b>\$134.7</b>

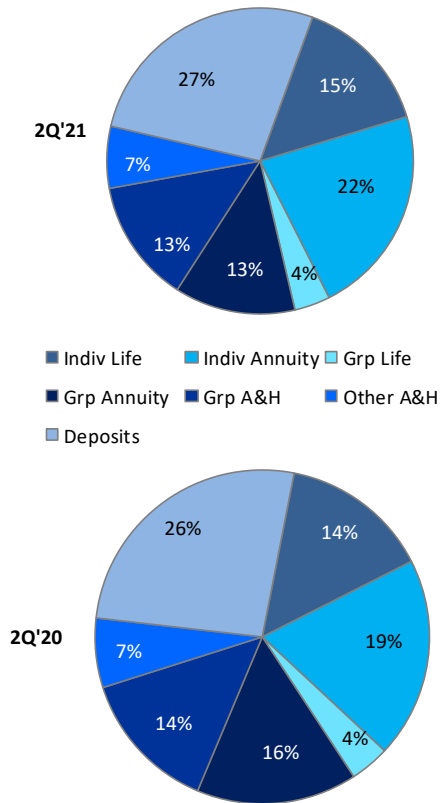
  

<b>Net Premium</b>	<b>% Chg.</b>	<b>2Q'21</b>	<b>2Q'20</b>
Life Insurance	9%	\$81.5	\$74.5
Annuity Considerations	41%	\$140.3	\$99.8
A&H Insurance	(1)%	\$94.7	\$95.9
Deposit-type Contracts	6%	\$140.8	\$132.3
Other Considerations	(24)%	\$32.9	\$43.4
<b>Total</b>	<b>10%</b>	<b>\$490.1</b>	<b>\$445.9</b>

**Earned Premiums**

On an earned basis, the industry reported a 12% (\$36 billion) increase in net premiums and deposits to \$351 billion. As shown in **Figure 1**, there were no significant changes in the industry’s direct earned premium allocation by sector from mid-year 2020 to 2021.

**Figure 1 — Direct Earned Premiums & Deposits by Sector**



**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'21	% Chg	\$ Chg	2Q'21	
DE	20%	\$8,081	\$49,052	GA	(13%)	(\$2,034)	\$13,279
IL	20%	\$3,260	\$19,683	IN	(5%)	(\$468)	\$8,241
TX	12%	\$3,258	\$30,341	MD	(4%)	(\$308)	\$7,788
NY	4%	\$3,108	\$80,044	NM	(13%)	(\$234)	\$1,565
FL	9%	\$2,468	\$29,281	DC	(5%)	(\$92)	\$1,751

LIFE							
Increases			Decreases				
	% Chg	\$ Chg	2Q'21	% Chg	\$ Chg	2Q'21	
CA	12%	\$1,102	\$10,336	GU	(22%)	(\$8)	\$30
FL	11%	\$575	\$5,866	KY	(1%)	(\$5)	\$847
TX	8%	\$506	\$6,968	HI	(1%)	(\$5)	\$425
NC	17%	\$440	\$3,005	MP	(17%)	(\$1)	\$3
NY	6%	\$386	\$6,679	AS	(4%)	(\$0)	\$2

ANNUITIES							
Increases			Decreases				
	% Chg	\$ Chg	2Q'21	% Chg	\$ Chg	2Q'21	
FL	19%	\$1,922	\$12,154	MD	(11%)	(\$369)	\$2,974
TX	22%	\$1,868	\$10,381	DE	(16%)	(\$217)	\$1,154
IL	26%	\$1,340	\$6,497	GA	(5%)	(\$185)	\$3,370
OH	22%	\$1,185	\$6,546	DC	(23%)	(\$92)	\$303
CA	9%	\$1,138	\$13,318	GU	(51%)	(\$1)	\$1

A&H							
Increases			Decreases				
	% Chg	\$ Chg	2Q'21	% Chg	\$ Chg	2Q'21	
NY	11%	\$631	\$6,587	CA	(7%)	(\$562)	\$7,448
TX	5%	\$440	\$9,752	NM	(23%)	(\$143)	\$466
TN	9%	\$189	\$2,240	SC	(6%)	(\$129)	\$2,204
AZ	8%	\$180	\$2,313	OR	(2%)	(\$27)	\$1,178
WA	7%	\$136	\$2,043	NC	(0%)	(\$14)	\$3,467

OTHER							
Increases			Decreases				
	% Chg	\$ Chg	2Q'21	% Chg	\$ Chg	2Q'21	
IL	54%	\$1,028	\$2,938	GA	(64%)	(\$1,879)	\$1,076
SD	569%	\$296	\$347	CT	(52%)	(\$904)	\$830
NH	112%	\$275	\$520	NY	(19%)	(\$863)	\$3,645
VA	30%	\$178	\$781	MA	(25%)	(\$502)	\$1,476
ID	107%	\$128	\$247	MO	(47%)	(\$499)	\$574

DEPOSIT-TYPE CONTRACTS							
Increases			Decreases				
	% Chg	\$ Chg	2Q'21	% Chg	\$ Chg	2Q'21	
DE	22%	\$8,429	\$46,379	MI	(54%)	(\$935)	\$799
NY	4%	\$1,847	\$52,723	IN	(69%)	(\$852)	\$377
CT	21%	\$1,408	\$8,151	PA	(31%)	(\$685)	\$1,523
MA	183%	\$1,343	\$2,078	WI	(41%)	(\$374)	\$534
KS	205%	\$1,067	\$1,588	IA	(3%)	(\$205)	\$6,005

**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 2021 when compared to the same period in 2020.

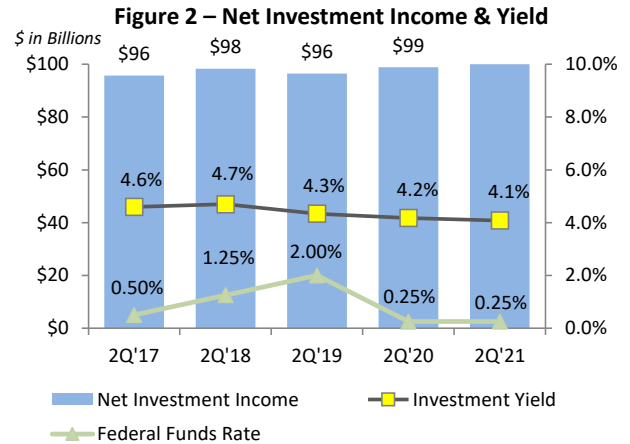
Delaware reported the largest increase on a total basis followed by Illinois. Delaware was primarily driven by an increase in deposit-type contracts while Illinois was driven by annuities and other considerations. Georgia reported the largest decrease on a total basis followed by Indiana. Georgia was driven by a decrease in other considerations while Indiana was driven by a decrease in deposit type contracts.

**INVESTMENT INCOME**

Net investment income increased 2% (\$2 billion) to \$100 billion through the first half of 2021. Concurrently, the industry’s annualized net investment yield decreased 0.1 percentage points to 4% as seen in **Figure 2**.

The Federal Reserve has not adjusted the federal funds interest rate from 0.00% to 0.25% since March 16, 2020.

The industry’s cash and adjusted invested asset\* portfolio has increased steadily over the past ten years, increasing 2% from the prior year-end to \$4.7 trillion at June 30, 2021. **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 2% (\$53 billion) increase in adjusted bonds\*. Investment grade bonds accounted for 94% of total bonds as of June 30, 2021, unchanged compared to year-end 2020.



**Table 4 – Asset Concentration**

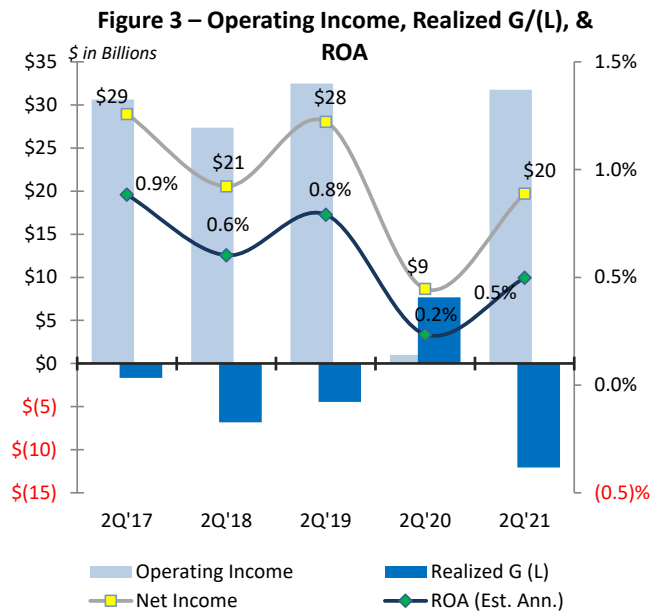
(\$ Change in Billions)	% Chg. Over 5 Years	% Chg from PYE	2Q'21	YE'20	2Q'20	2Q'19	2Q'18	2Q'17
Bonds*	18%	2%	\$3,418	\$3,364	\$3,265	\$3,129	\$2,917	\$2,892
Preferred Stock*	73%	13%	\$16	\$14	\$12	\$12	\$11	\$9
Common Stock*	32%	12%	\$44	\$39	\$38	\$38	\$36	\$33
Mortgages*	33%	2%	\$609	\$596	\$587	\$549	\$495	\$459
Real Estate	(4)%	(0)%	\$23	\$23	\$22	\$21	\$23	\$24
BA Assets	55%	N/A	\$254	\$0	\$208	\$196	\$179	\$164
Cash	173%	11%	\$130	\$117	\$144	\$86	\$77	\$48
Short-term Investments	(41)%	(13)%	\$35	\$40	\$58	\$35	\$29	\$60

\*adjusted to exclude affiliated amounts

**OPERATIONS**

Net income increased 127% (\$11 billion) as the industry reported net income of \$20 billion for the first six months of 2021. Premiums, annuity considerations and deposit increased 12% to \$351 billion while reserve adjustments on reinsurance ceded decreased 97% to \$(21) billion. Aggregate reserves increased \$38 billion in the first six months, compared to \$75 billion at second quarter 2020. Surrender benefits increased 12% (\$20 billion) to \$181 billion compared to second quarter 2020.

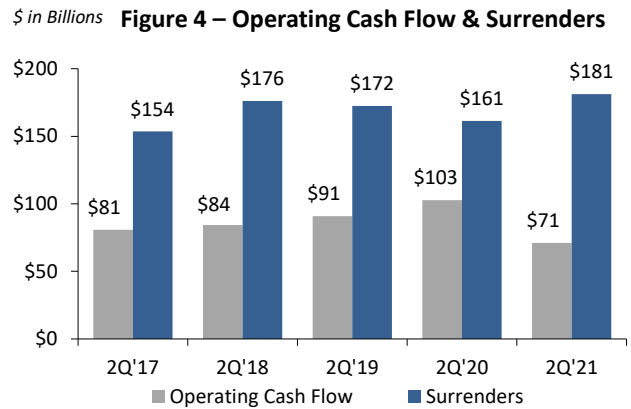
As illustrated in **Figure 3**, the industry reported \$12 billion in realized capital losses for the first six months of 2021. The industry’s return on assets (ROA) increased to 0.5% at June 30, 2021, from 0.2% at mid-year 2020. The ROA has been below 1% for the past five years, as seen on **Figure 3**.



**LIQUIDITY**

The life industry reported a 31% (\$32 billion) decrease in operating cash flow to \$71 billion in the first half of 2021 from \$103 billion in the comparable period of 2020. The largest contributing factors to the decrease was a 15% (\$49 billion) increase in benefits and loss related payments, partially offset by a 2% (\$8 billion) increase in premiums collected net of reinsurance.

Surrender benefits through June 30, 2021, increased 12% (\$20 billion) to \$181 billion compared to \$161 billion in through mid-year 2020. Surrenders have shown an increasing trend over the past five years from \$154 billion for the same period in 2017, a 25% increase. See **Figure 4**.



Through June 30, 2021, death benefits increased 12% compared to mid-year 2020. The life insurance industry reported a 15% increase in death benefits for 2020 over the same period in 2019, which is high compared to annual increases in death benefits averaging between 1% and 3% in prior years.

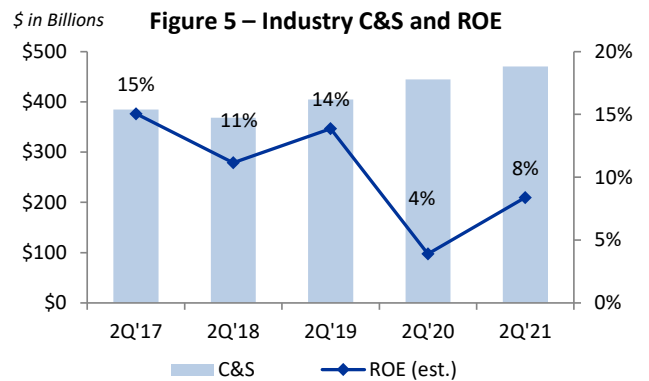
Net cash from investments decreased 24% (\$18 billion) remaining negative, for a net cash outflow of \$93 billion compared to \$75 billion outflow for the same period of 2020. The negative result was attributed to a \$44 billion increase in bond acquisition and a \$29 million decrease in miscellaneous proceeds, offset by an \$83 billion increase in proceeds from bonds.

The life industry reported a net cash from financing activities cash in-flow of \$29 billion in the first half of 2021 compared to a net in-flow of \$52 billion in the first six months of 2020. The \$23 billion decrease was mainly due to a \$26 billion decrease in other cash applied to \$10 billion.

**CAPITAL AND SURPLUS**

The life industry’s capital and surplus increased 4% (\$19 billion) to \$470 billion at June 30, 2021, from \$451 billion at December 31, 2020, due primarily to an industry net income of \$20 billion and unrealized gains of \$12 billion, partially offset by stockholder dividends of \$17 billion.

As illustrated in **Figure 5**, estimated annualized return on equity (ROE) increased 4 percentage points to 8% through the second quarter of 2021 compared to 4% for the same period of 2020. The increase was driven by an increase in both net income and capital and surplus, as previously mentioned.



## SEPARATE ACCOUNTS

The industry’s separate account assets increased 6% to approximately \$3 trillion at June 30, 2021, compared to year-end 2020. 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 22% increase. Separate account fee income increased 12% (\$2 billion) to \$20 billion in the first six months of 2021, compared to the prior-year period. The ratio of separate account fee income to separate account assets declined slightly to 1.2%.

The life industry’s CARVM allowance decreased by 6% from negative \$26 billion at second quarter 2020 to negative \$28 billion at June 30, 2021.

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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